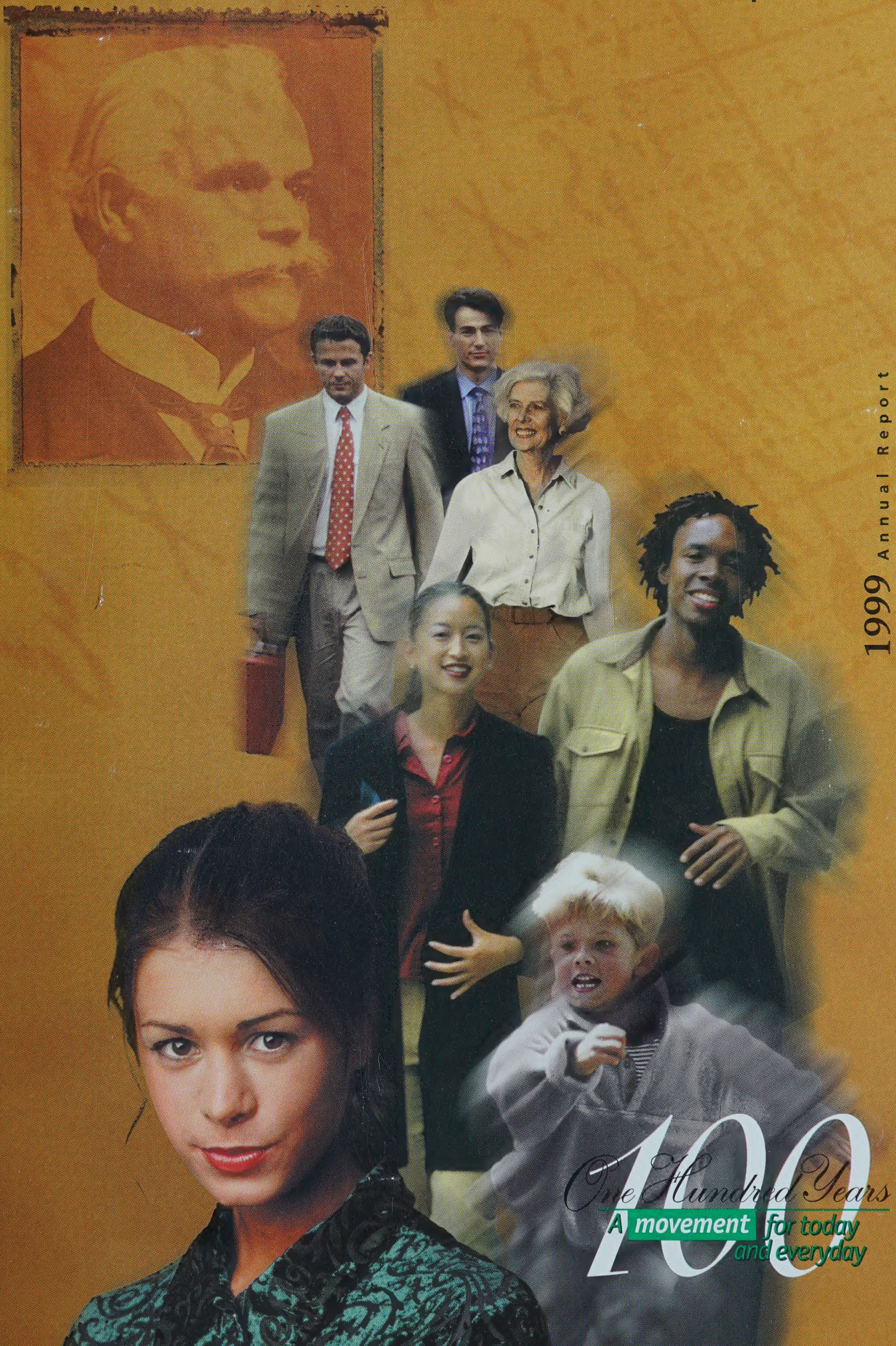
Desjardins

Desjardins-Laurentian Financial Corporation

1999 Annual Report

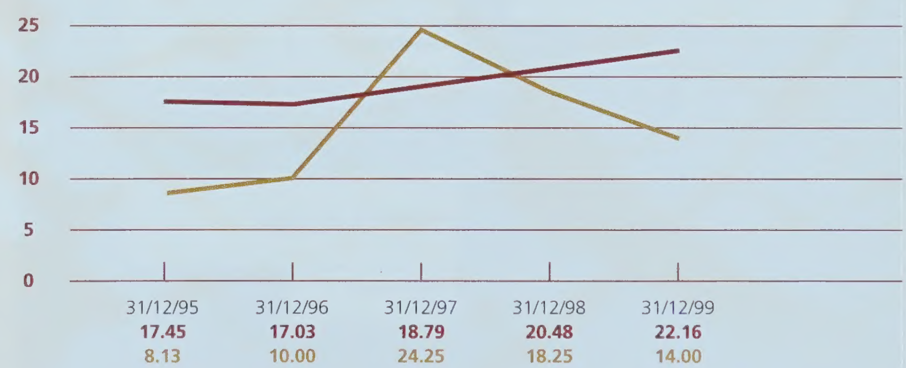


Highlights

At December 31 (in thousands of dollars, unless otherwise stated)	Variance 99/98	**1999**	1998	1997
CONSOLIDATED				
Net earnings				
Continuing operations	- 7%	**80,085**	86,166	80,421
Discontinued operations		**-**	-	13,001
	- 7%	**80,085**	86,166	93,422
Return on equity				
Continuing operations		**7.9%**	9.3%	9.5%
Including discontinued operations		**7.9%**	9.3%	11.3%
Total assets	+ 1%	**10,312,818**	10,177,630	10,316,199
CONTINUING OPERATIONS				
Revenues	+ 3%	**2,899,632**	2,814,250	3,025,526
Assets under management	- 1%	**11,525,125**	11,647,414	11,036,030
Assets under administration	+ 15%	**136,222,963**	118,840,246	115,803,472
PER COMMON SHARE				
Net earnings				
Continuing operations	- 7%	**$1.69**	$1.82	$1.69
Discontinued operations		**-**	-	$0.32
	- 7%	**$1.69**	$1.82	$2.01
Net book value	+ 8%	**$22.16**	$20.48	$18.79
Share price - close	- 23%	**$14.00**	$18.25	$24.25
Price/net book value		**63.2%**	89.1%	129.1%

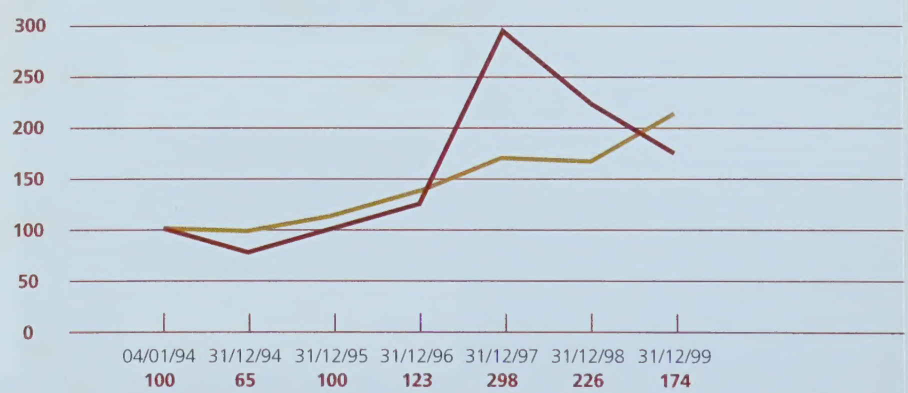
Class A Subordinate shares
Evolution in net book value
and share price
(in $)

Net book value
Share price

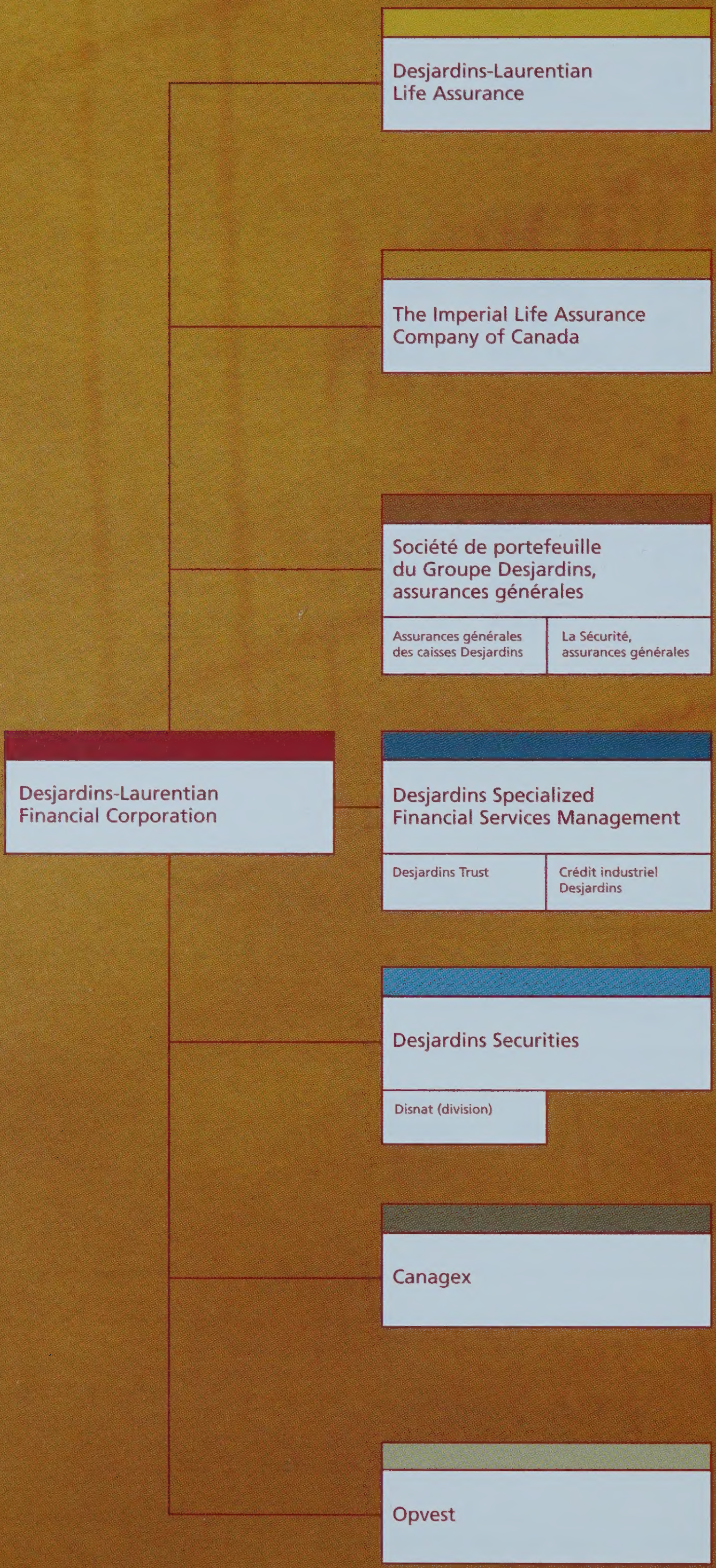


Class A Subordinate shares
Total cumulative return on
a $100 investment
(in $)

DLFC
TSE 300



Profile



Desjardins-Laurentian Financial Corporation

Desjardins-Laurentian Financial Corporation (DLFC), through its subsidiaries, is active in the financial services sector.

Leaders in their respective fields, DLFC's subsidiaries are present in all sectors of the financial services industry: life and health insurance, general insurance, trust services, securities brokerage, institutional portfolio management and asset management.

With their close ties to the Mouvement des caisses Desjardins, the largest financial conglomerate in Quebec, DLFC's subsidiaries, in addition to meeting the needs of their own client segments, also assume a partnership role with the 1,143 caisses that make up the Desjardins network.

Their expertise provides the caisses with the resources to meet the needs of their five million members, who look to their financial institution to provide them with a full range of innovative, top-quality products and services adapted to their needs.

Thus, DLFC's subsidiaries form the vanguard for the largest advisory force in Quebec.

DLFC is a public company. It is 80% held by the Mouvement des caisses Desjardins and 20% held by the general public. The publicly-held shares are listed on the stock exchange.

Life and health insurance

Desjardins-Laurentian Life Assurance

Desjardins-Laurentian Life Assurance (DLLA) is the leading life and health insurer in Quebec, where it operates its individual and group insurance and pension business. Across Canada, it also offers direct distribution and specialized services to financial institutions, including the Desjardins caisses. Its mission is to meet the financial security needs of individuals and groups by being the best provider of products and services in its field and by promoting access to a full and complete range of innovative financial products and advice through diversified networks.

Overview

DLLA dominates the insurance market in Quebec, with its 17.6% market share for direct premiums written. It is continually adapting to social trends through an innovative product offering, which meets the needs for savings, health insurance and assistance services. With the most diverse distribution networks in Canada, including a web site at www.avdl.com, it is also a pioneer in caissassurance. As such, it intends to take advantage of the provisions of the legislation that was recently adopted in Quebec governing the distribution of financial products and services and seize the new development opportunities which it affords, while meeting the changing needs of consumers.

Selected data

(at December 31, 1999)

• In force life business	**$78.8 billion**
• Insurance and annuity premiums	**$1.0 billion**
• Total assets (general funds)	**$4.4 billion**
• Assets under management (segregated funds)	**$3.2 billion**
• Number of employees and financial security advisors	**3,844**

Summary

Profile

Life and health insurance

The Imperial Life Assurance Company of Canada

The Imperial Life Assurance Company of Canada (Imperial) offers an array of individual and group life and health insurance as well as annuity and investment fund products. Its mission is to meet the financial security needs of individuals and groups across Canada, with the exception of Quebec, by being the best product and service provider in its market and by promoting, through diversified networks, access to a full range of innovative products and financial advisory services.

Overview

In 1999, Imperial became the first Canadian life and health insurer to operate a truly virtual distribution network called **Finactive**. Thus, Imperial intends to stand apart from the competition by capitalizing on the operations of this new network, whose current success is a clear indication that it meets the needs of consumers who are increasingly using the Internet as an information source and transaction tool.

Imperial can also count on **Connexus** and **Imperial Financial Services**, its individual life insurance distribution networks, as well as on **Laurier**, an autonomous division, which offers a wide range of highly competitive and innovative insurance products through a Canada-wide network of brokers.

Selected data

(at December 31, 1999)

• In force life business	**$36.3 billion**
• Insurance and annuity premiums	**$408.8 million**
• Total assets (general funds)	**$3.3 billion**
• Assets under management (segregated funds)	**$1.6 billion**
• Number of employees and financial security advisors	**6,601**

General insurance

Société de portefeuille du Groupe Desjardins, assurances générales

Société de portefeuille du Groupe Desjardins, assurances générales (SPGDAG) has been active in the general insurance sector since 1945 and is one of the leading P&C insurers in Quebec. It oversees two subsidiaries: **Assurances générales des caisses Desjardins (AGCD)**, which distributes automobile and home insurance products via the Desjardins caisse network as well as a call centre, and **La Sécurité, assurances générales**, which distributes insurance products to members of professional groups and unions.

Overview

SPGDAG has a market share of more than 11% in Quebec across all categories and a 17% plus share for the individual sector. The company is ranked 1st in direct insurance in Quebec, with a 37% market share.

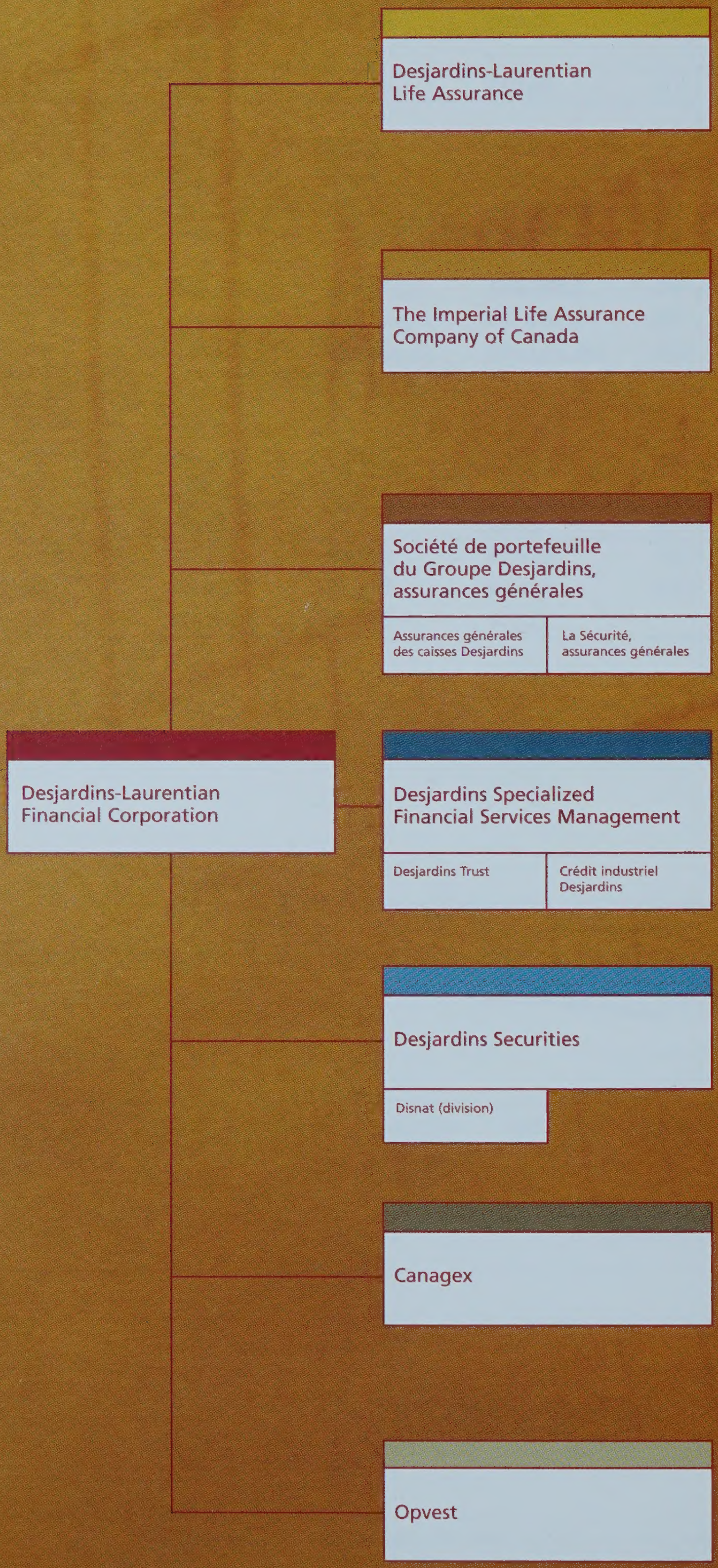
SPGDAG agents are present, throughout the Desjardins caisse network, in more than 800 points of sale across Quebec. Clients are also able to access some 225 agents in call centres, giving SPGDAG a considerable advantage over its closest competitors.

Selected data

(at December 31,1999)

• Number of in force policies	**1,005,189**
• Premium volume	**$512 million**
• Total assets	**$714 million**
• Client retention rate at renewal	**93%**
• Combined ratio	**98.2%**
• Number of employees	**1,747**

Summary



Desjardins Specialized Financial Services Management

Desjardins Specialized Financial Services Management, through its main subsidiary, **Desjardins Trust**, is specialized in asset management and administration. Its high-quality offering of financial and trust products and services is available in the caisse network to Desjardins caisse members, as well as in regional private management centres for its own clients. Thus, it offers mutual funds, trust and private management services, group savings plans as well as securities administration and custodial services to individuals, corporate and public as well as para-public sector institutions.

Overview

Desjardins Trust is among the leaders in Quebec in securities administration and custodial services and offers a highly specialized and complementary range of services as well as unmatched expertise. Moreover, it is a leader in the group savings plan market, notably because of the Desjardins Group RRSP.

In recent years, Desjardins Trust has expanded its presence in the investment fund market by creating innovative products and by marketing a number of exclusive funds. It has also secured a larger share of the individual portfolio management market where its offer includes private management services and personalized financial advisory services.

Selected data

(at December 31, 1999)

• Assets under administration	**$133.6 billion**
• Desjardins Funds outstanding	**$4.1 billion**
• Volume outstanding of group RRSPs and group plans	**$1.3 billion**
• Fee income	**$81 million**
• Number of permanent employees	**800**

Desjardins Securities

Desjardins Securities offers full-service and discount brokerage services to its clients and to the members of the Desjardins caisses. Thus, investment advisors in the full-service brokerage sector are able to meet all of the needs of investors who seek investment advice. Self-directed investors can use the services of Disnat, the discount brokerage arm of Desjardins Securities, and transact either by telephone or via its web site at www.disnat.com. Desjardins Securities also offers corporate financing services, research services, municipal financing and fixed-income expertise and maintains an institutional equities desk.

Overview

Desjardins Securities continues to grow as a full-service broker. It has increased its sales force and added new points of sale in all regions of Quebec. Disnat, the pioneer in discount brokerage, is an industry leader which works closely with the Desjardins caisse network. It also has its own offices in Montreal and Quebec City. Desjardins Securities is recognized for its competent and dynamic personnel.

Desjardins Securities is ranked second in Quebec in the public tendering of municipal bonds on the primary market and in subsidized bonds. It is active in corporate financing for small and mid-market businesses in Quebec, promoting these growth companies among investors in the quality analyses published by its research services.

Selected data

(at December 31, 1999)

• Total revenues	**$71.1 million**
• Number of clients	**167,138**
• Number of accounts	**261,848**
• Assets under administration	**$6.0 billion**
• Points of service	**25**
• Employees, advisors and representatives	**497**

Summary

Profile

Institutional portfolio management

Canagex

Canagex offers professional investment management services primarily to institutional clients, including pension funds, foundations, endowment funds, religious orders and other non-taxable funds. From its offices in Montreal and Toronto, the company provides Canadian and foreign equity management services, as well as Canadian bond management services and asset allocation management services. It also manages mutual funds and segregated funds for the retail market.

Overview

Canagex is ranked 6^{th} in Quebec and 25^{th} in Canada for pension fund assets under management. With its varied range of products and tools to measure and communicate investment risk, Canagex is able to meet the requirements of a large number of investors, regardless of their profile.

Its multi-disciplinary approach enables Canagex to meet the requirements of portfolios of various sizes and provide institutional clients with either full asset management services, through balanced funds management, or partial management services, when a specific management style or expertise is sought.

Selected data

(at December 31, 1999)

• Assets under management	**$11.5 billion**
• Number of employees	**61**
• Fee income	**$19.1 million**

Asset management

Opvest

Opvest is specialized in asset and loan management. Created in 1999, it groups all of the investment-related human resources as well as the operations previously at Desjardins-Laurentian Life Assurance, The Imperial Life Assurance Company of Canada and Desjardins Trust. Opvest has acknowledged expertise in treasury management, real estate and securities investments, corporate financing, mortgage investments and special accounts management.

Positioning

Opvest is a major player in asset management and its concept of a shared service centre that serves its sister companies is highly innovative. It manages one of the largest mortgage and bond portfolios in Quebec.

Its diversified expertise allows it to be present in several investment niches and its organizational structure assures the sound geographic distribution of its portfolios. Opvest is a leader in creating integrated investment products which incorporate financial engineering components. In addition, Opvest is able to draw on the innovative and creative skills of its human resources.

Selected data

(at December 31, 1999)

• Subsidiaries' assets under management	**$9.5 billion**
• Points of service in Canada	**4**
• Number of employees	**185**

Summary

Profile

The largest advisory force in Quebec

The Mouvement des caisses Desjardins is the largest financial institution in Quebec and the sixth largest in Canada. From a fledgling savings and credit cooperative movement created in the early 1900s, today it has a network of 1,143 caisses grouped under 11 federations. Its assets total $73.1 billion ($76.7 billion including those of the caisses and federations outside Quebec) and its credit ratings are of the highest quality. At special general meetings held at the end of 1999, the delegates of the Desjardins caisses in Quebec voted to group the current 11 federations and La Confédération des caisses Desjardins into a single federation. By accepting this change, which takes effect on July 1, 2001, the Mouvement Desjardins has given itself an added development tool, one that reflects its willingness to transform its structures, make them more flexible and efficient and enhance their cooperative nature.

Over the years, the Mouvement des caisses Desjardins has built a network of complementary subsidiaries to meet all the financial needs of its members and clients. These subsidiaries are active in life and health insurance, general insurance and securities brokerage, and also provide other specialized financial services, such as investment funds and trust services. After successfully growing these business lines, in 1993 the Mouvement Desjardins acquired The Laurentian Group Corporation, thus creating a competitive critical mass and expanding its core life and health insurance business in Quebec and in the rest of Canada.

In 1994, as part of the acquisition of The Laurentian Group Corporation, the Mouvement Desjardins created Desjardins-Laurentian Financial Corporation. Its mandate is to ensure the management and growth of the subsidiary companies in their respective business lines, while working closely with the caisse network.

Today, the close partnership between the subsidiary companies and the caisse network has benefitted all of the Mouvement Desjardins. In addition to having their own distribution networks, the subsidiary companies have a privileged access to the Desjardins caisse network, enhancing their ability to compete and maximizing their profitability.

For their part, the Desjardins caisses benefit from the subsidiary companies' acknowledged expertise and financial products. Access to this range of complementary products and services allows the Desjardins caisses to meet all of their members' insurance, savings and investment needs and thus strengthen the business relations they have with them.

On October 1, 1999, the legislation governing the distribution of financial products and services in Quebec took effect. This represents a major asset for DLFC and its subsidiaries, as the provisions of the legislation provide a new impetus to ongoing efforts to ensure the further integration of the subsidiaries' products with those of the caisses. The new legislation allows Quebec-chartered financial institutions to expand their service offer, especially in life and health insurance. Thus, the Mouvement Desjardins's expertise in this area will enable it to rapidly take advantage of the new legislative provisions, bringing it another step closer to realizing the concept of caissassurance.

DLFC has been working assiduously to build the structures needed to secure optimal deregulation and to support the business plans. The synergies realized between the caisse network and the subsidiaries will thus allow the Mouvement des caisses Desjardins to offer its members and its clients a range of integrated financial products and services that meet their needs for financial security. DLFC has enthusiastically renewed its commitment to have the Mouvement des caisses Desjardins, as well as its own shareholders, benefit from the positive results of the new legislation.

At the service of its members and clients for a century, the Mouvement Desjardins enjoys solid financial health and a reputation that is the envy of all. It is irrefutably the largest advisory force in Quebec.

Summary

Message to shareholders

Steering a course towards our profitability, synergy and development objectives

DLFC and its subsidiary companies, like all institutions, are clearly being impacted by a radically altered marketplace. While the market consolidation created by the proliferation of alliances and mergers and the explosion of electronic and virtual delivery channels have been major agents of change, they have also provided unique opportunities to grow and develop.

As key players in an industry that is being profoundly reshaped by these changes, DLFC and its subsidiary companies have made every possible effort to realize projects which will enable them to take advantage of opportunities created by the changing environment. In this context, we had to make sure that we continued to steer a course towards the profitability, synergy and development objectives which have guided DLFC since its creation in 1993. This was crucial to maintaining our competitive advantages and ensuring the growth of all our business segments, something we worked hard to achieve throughout 1999.

In 1999, we gradually introduced our shareholder value creation program and began to identify which specific activities created value and, conversely, which ones we need to focus on or improve. In 2000, we will continue to optimize the use of and the return on equity for each of our business segments.

Moreover, to show our confidence in the underlying value of our stock, we renewed the subordinate share redemption program implemented in 1998. Under the current program, which runs until November 24, 2000, DLFC can redeem up to 10% of its Class A subordinate shares outstanding.

Maximizing our presence in the Desjardins caisse network

Following the introduction of the legislation governing the distribution of financial products and services in Quebec, DLFC continued to step up deregulation of its products and services in the Desjardins caisses, its distribution network of choice and principal partner. Thus, DLFC fully assumed its role as a leading player in areas involving the integration of the subsidiary companies' products and services with those of the caisses, more specifically by putting together a team whose mission is to devise the deregulation strategy, coordinate the projects carried out by the subsidiary companies and set up a work organization that promotes exchanges between the various participants.

The work we have done so far on deregulation-related activities and on establishing the processes required by the provisions of the new legislation has ensured that the subsidiary companies' sales objectives in the caisse network fully mesh with the network's business plan. The Desjardins network in 2000 and 2001 is expected to be a widely integrated and deregulated network in which DLFC's subsidiary companies will play a leading role.

Developing and growing our business segments

DLFC also has a role to play in developing its various business segments. A key factor in our development is the synergy we can create between the subsidiary companies. In the wake of the internal restructuring carried out at DLFC in 1998, the subsidiary companies' investment resources and operations were consolidated in January 1999 to form a separate entity that would be able to manage a sufficiently large critical mass to attract and retain the top experts in the field, monitor the global risk of DLFC and its subsidiary companies and provide each with specialized expertise. This new DLFC subsidiary, which was named Opvest in June 1999, offers asset management services for the treasury, securities, real estate, corporate financing, mortgage investment and special accounts sectors. We are proud to note that Opvest's 1999 results, which exceeded expectations, validate the strength of its team.

The growth of our subsidiary companies is also contingent on our ability to grow in the market outside Quebec. In Quebec, we are already acknowledged leaders in the vast majority of our business segments and in certain areas, such as insurance, DLFC's subsidiary companies carry on business in a maturing market. The development of our subsidiary companies outside the province of Quebec represents a major growth factor.

In 1999, DLFC reviewed its strategic plans and developed a structure exclusive to this market. Strategic alliances, distribution agreements and targeted acquisitions are the fundamentals that support this structure. One of our subsidiary companies completed a major development project in 1999. The alliance between the Mouvement Desjardins and the Credit Union Central of Canada (CUCC), the two largest financial cooperative networks in Canada, enabled Desjardins Trust to conclude a distribution agreement with the Credential Group, a CUCC subsidiary.

What this means in concrete terms is that it will be possible to offer three mutual funds comprised of units of the Ethical Funds, a Credential Group product, as well as create a family of four Credential Portfolio funds. These four mutual funds are comprised of units of the Desjardins Funds, which are now distributed throughout the Canadian credit union network. This major inroad into a distribution network outside Quebec is all the more noteworthy since it offers extremely interesting potential not only for Desjardins Trust, which will continue to explore various avenues for distributing its products through this network, but also for a number of Desjardins components, which are already reaping the benefits of this partnership.

Repositioning life and health insurance activities outside Quebec

Our presence outside Quebec has so far been assured by our life and health insurance activities, which are carried out through The Imperial Life Assurance Company of Canada. However, we have looked very carefully at this sector since the second half of 1999, with a view to repositioning our life and health operations outside Quebec.

As you know, Imperial currently faces a difficult and complicated situation in the United Kingdom. As a result, it has had to take substantial reserves in recent years, as have all the insurance companies present in this market, to compensate certain policyholders who had purchased individual pension plans. In 1998, Imperial in fact took a $62.3 million provision to meet its obligations.

Imperial's 1999 earnings were reduced by a $37.0 million provision to meet the new guidelines issued by the UK regulatory authorities, which impacted negatively on DLFC's consolidated earnings. DLFC reported consolidated net earnings of $80.1 million in 1999 compared to earnings of $86.2 million in 1998, for net earnings per common share of $1.69 compared to $1.82 in 1998.

However, even if one excludes the provisions for the UK pension transfers, Imperial's earnings fell short of DLFC's expectations, despite the measures taken in 1998 to turn the company around. Apart from Imperial, all of DLFC's subsidiary companies returned between 14% and 25%, which is very satisfactory given the diverse nature of our operations.

In the second half of 1999, it was concluded that Imperial's projected sales for the next five years would not enable DLFC to attain its return objectives for life and health insurance outside Quebec and that DLFC lacked the critical mass in certain business lines required to be a dominant competitor in this market. At that point we began a strategic review of Imperial's business lines and actively sought to identify opportunities for strategic alliances or partnerships that would help to give us a new momentum in this market. So far, our position has not changed and we are working to ensure that our undertakings in this activity sector develop as profitably as possible. We remain confident that our efforts will soon be successful.

A review of 1999

DLFC relies on its subsidiary companies' ability to understand the issues specific to the industry and seize the business opportunities that present themselves. An overview of our subsidiary companies' main activities confirms that they have been successful in carrying out corporate projects and launching the innovative financial products that have set them apart from the competition.

Life and health insurance

Desjardins-Laurentian Life Assurance (DLLA), which in 1999 celebrated its 50th anniversary as a life and health insurer within the Mouvement Desjardins, introduced its complete life and health product and service offering in more than 250 caisses through the services of DLLA financial security agents. DLLA in fact recruited about 100 new agents exclusively to serve Desjardins caisse members.

With its solid expertise in group retirement plans, DLLA secured a $37.6 million contract to manage a group plan as part of an early-retirement benefit package for fisheries workers, a joint undertaking by the federal, Quebec and Atlantic Provinces governments. During the year, DLLA also added five new funds to the range of investment funds for group retirement savings plans. This brings to 19 the number of funds available to groups, providing greater diversification across the various asset classes and an enhanced presence on foreign markets.

For its part, Imperial launched "Finactive". This new virtual distribution network, a first in Canada for an insurance company, combines the advantages of a web site and a call centre. Consumers can obtain information on financial products and services, ascertain what they need, seek advice and purchase insurance and investment products. Initially targeted at consumers in Ontario, Finactive proved to be a great success, attracting client and business volume which exceeded projections several times over. Imperial will therefore soon expand Finactive's operations to the British Columbia and Alberta markets.

General insurance

Société de portefeuille du groupe Desjardins, assurances générales (SPGDAG) retained its position as the leading general insurer in Quebec in 1999, and in several different ways. In fall 1999, SPGDAG exceeded the million-dollar mark in in-force policies and the half-billion dollar mark in premium volume, a first in the industry in Quebec. As well, SPGDAG received a number of awards and prizes for excellence during the year (Mercure, Octas, Canadian Information Productivity Awards) for its Sale and Home Insurance Management project, confirming the company as the industry benchmark, its stated ambition.

SPGDAG also introduced a new streamlined home insurance concept in 1999. Modular in design, the insurance products can be more easily adapted to the specific needs of each client. The new product, with a February 2000 launch date, is a truly revolutionary home insurance product, giving SPGDAG a major competitive advantage.

Trust services

Seen as a front-line player in the investment funds industry in Quebec, with some 30 high-performing funds, Desjardins Trust innovated once again by creating the Desjardins Select Funds. These new funds are comprised of units of underlying funds. Thus, a single fund can provide the most demanding of investors with access to a wide variety of funds and to the specific expertise of the managers of each. To enable its clients to take advantage of opportunities on Far East markets, Desjardins Trust also launched the Desjardins Asia/Pacific Fund in 1999.

Desjardins Trust has also carved out an enviable niche for itself in individual portfolio management, surpassing a half-billion dollars of assets in discretionary portfolio management. The volume outstanding has risen from $30 million to more than $530 million over the past five years, for growth of nearly $10 million a month, and the number of clients has climbed from 50 to 660. Desjardins Trust also reasserted its position as the leader in Quebec in securities administration and custodial services, with over $100 billion in assets under management and a 50% plus share of the Quebec market.

Securities brokerage

Client numbers were up sharply at Desjardins Securities in 1999. Assets under administration now stand at $6 billion, up 40% since 1998. To increase the presence of its full-service brokerage operations in all regions of Quebec, Desjardins Securities opened four new points of service in 1999 and hired 23 investment advisors, several with an established clientele. As a result, it strengthened its sales force and projects a significantly higher market share in Quebec over the next three years.

Disnat, the discount brokerage arm of Desjardins Securities, also reported excellent earnings and an unprecedented increase in goodwill since November 1999. Disnat's products continue to attract the self-directed investor segment, with the number of transactions tripling in the final two months of 1999. In order to maintain its position as one of the leading discount brokers in Quebec and to better serve its clients, Disnat now offers real time quotes and Reuters investment news service on its web site. A new telephone system was also set up to direct calls from Disnat clients more efficiently.

Lastly, Desjardins Securities performed very well in municipal financing, where it secured an 18% market share, an increase of 5% since 1998. It is thus consolidating its second-place position in this business segment in Quebec and closing the gap with its main competitor.

Institutional portfolio management

A new management team was appointed at Canagex, with the result that responsibilities were reorganized within the company and new tools and activities were introduced to improve customer services. Canagex organized a series of personalized meetings as well as training seminars for some of the groups whose investment portfolios it manages. Major investments were made in technology, enabling Canagex to provide clients with improved reports and statements.

In order to further diversify the management styles available to its clients, Canagex also created a third Canadian equity management team, bringing to 12 the number of Canadian equity specialists.

Compared to 1998, Canagex reported significantly improved returns for all its investment products. In fact, most outperformed their competitors or the benchmark indexes. The Bond Fund posted the best performance among the Canagex Pooled Funds, outpacing the SCM Universe Bond index by nearly 1%, making it one of the top-ranked Canadian bond funds.

Asset management

The success of Opvest, DLFC's new subsidiary, exceeded all our expectations. First, sales of the "Desjardins Alternative Term Savings" (DATS) product surpassed all projections. This product, unique in Canada, has been offered to caisse members for just over a year and was designed and is administered by Opvest's team of financial engineering experts. It is very popular with caisse members, since it guarantees their capital while offering them a return potential in line with historical market returns in the medium term.

As the manager of the investments of DLFC and its subsidiary companies, Opvest successfully carried out its mission in 1999. The return on the life and health insurance sector's bond portfolio outperformed the target by nearly 50 basis points. On a portfolio of $3.7 billion, such a spread represents added value of more than $18 million. The alternative investments portfolio created added value of more than $9 million and the current return on real estate investments was 7.8%.

The mortgage investments sector continues to focus on improving the quality of the aggregate portfolio of $2.5 billion that it manages. This task, begun five years ago, has helped to reduce loan losses dramatically. Opvest's special accounts management service sold $116 million of gross equity-derived assets and assets under management and reversed more than $6.5 million in provisions.

Outlook

Altogether, 1999 was a very eventful year, during which every effort was made to come within reach of our goals. However, we are well aware that we still face considerable challenges and that a great deal remains to be done.

Increasing DLFC's presence in markets outside Quebec remains a major challenge. To carry out our projects in these markets, we intend to develop our strengths in a cost-effective manner, through virtual networks as well as alliances and partnerships, which will allow us to share infrastucture and access a complementary range of products and services. In this respect, the repositioning of our life and health insurance activities outside Quebec remains a priority for DLFC.

In Quebec, DLFC and its subsidiary companies will work to maintain their leadership position and strengthen their ties to the Desjardins caisse network. The task of ensuring optimal deregulation is well in hand and the many projects currently in the works will yield a wider financial product and service offering for Desjardins members directly through their caisse in 2000 and 2001. DLFC will have to adapt to the major restructuring that will take place within the Mouvement Desjardins over the coming months. It will ensure that it has the organizational structures in place that will allow it to take part fully in a redesigned and forward-looking financial cooperative group.

Lastly, the financial health of our principal subsidiary companies, the favourable market outlook, the many growth projects that we are working on for our subsidiary companies as well as the ongoing process of optimizing the return on equity for each of our business segments are all positive elements that allow us to look to 2000 and the years beyond with optimism. We are confident that the sum total of our work will enable us to offer our shareholders the competitive return they expect.

Acknowledgements

We would like to thank all the directors, officers and employees of DLFC and its subsidiary companies for the loyalty and enthusiasm they once again displayed in 1999. It is their expertise and their commitment that have helped us to remain one of the leaders in the financial services industry.

We would also like to thank our clients for their confidence. Meeting their needs remains the measure of our success and our main objective.

Claude Béland
Chairman of the Board

Michel Thérien
President and Chief Executive Officer

A key player in the largest advisory force in Quebec

The expertise that is readily available within the network of Desjardins caisses and the added value of DLFC's subsidiary companies have made the Mouvement Desjardins the largest advisory force in Quebec. As the financial industry begins to fully deregulate, the subsidiaries are more than ever benefitting from the caisses' success in meeting all the needs of their members and clients. By putting their expertise to work, DLFC's subsidiaries have become key players in the largest cooperative network of integrated financial services in Quebec.

The march towards caissassurance

By the time Bill 188 governing the distribution of financial services and products took effect in Quebec, Desjardins-Laurentian Life Assurance (DLLA), through its agents, was already poised to begin offering a full range of life and health insurance products and services in almost 250 caisses. In addition, DLLA will be opening three life and health insurance centres, created exclusively to serve caisse members. The some 100 financial security agents that staff these three centres will look after the insurance needs of the members referred to them by caisse personnel. In 1999, together with the caisse network, DLLA came one step closer to making the caissassurance project a reality. Eventually, a broad range of insurance products will be available throughout the caisse network.

Full-service brokerage takes off

Present in all regions of Quebec, Desjardins Securities offers professional and personalized services to Desjardins caisse members and to its own clients. Desjardins Securities devoted a great deal of effort in 1999 to developing its full-service brokerage sector. It opened four new points of service in Quebec in 1999, in Gatineau, Brossard, Montmagny and Mont-Laurier, for a total of 25. In addition, its program to hire investment advisors was successful, with 23 new advisors joining Desjardins Securities' ranks, some bringing their own established clientele with them. This enabled the company to strengthen its sales team and anticipate a significantly higher market share over the next three years.

Shared success

While the vast majority of investors seek out high returns, not all have the same degree of risk tolerance. This is why Desjardins Alternative Term Savings (DATS) was created, to meet the needs of investors who want both return and capital protection. Unique in Canada, DATS was designed and is administered by Opvest's team of financial engineering experts. Sales of this feature product have surpassed all projections and it has become popular with investors and the participating caisses, who see DATS as an alternative to traditional savings vehicles. In 1999, the success of this non-traditional investment vehicle clearly showed that developing synergies with the caisse network is a winning formula.

DLLA

50 years of life and health insurance in the Desjardins caisse network

- **Top-ranked insurer in Quebec**
- **17.6% market share**

Overview of DATS

Security

International diversification

Higher yield potential

No administration fees

AGCD

10,000 general insurance policies at the caisse populaire Desjardins Saint-Eustache: the result of a perfect partnership

Training, a priority for Desjardins Securities

A number of investors are turning to securities in their quest for investment options that are a better fit with their objectives. To meet the needs of the caisses and Desjardins members in this area, Desjardins Securities gives regular training courses to caisse personnel. Course subjects range from the general principles of how securities work to advisory services, so that employees can steer caisse members who express an interest in such investments in the right direction. In 1999, Desjardins Securities reorganized its Caisse Services sector to meet the needs of Desjardins members more effectively.

A winning partnership

Alliances and partnerships have become common business strategies. Desjardins Trust benefitted from the alliance between the Mouvement Desjardins and the Credit Union Central of Canada by signing a distribution agreement with the Credential Group, a CUCC subsidiary. Under the agreement, Desjardins Trust will market three mutual funds comprised of units of the Credential Group Ethical Funds, while the Canadian credit union network will, in turn, create and distribute the Credential Portfolio Funds, four funds comprised of Desjardins Funds units. While access to a distribution network outside Quebec opens up very interesting possibilities for Desjardins Trust, this partnership could in time also benefit other Mouvement Desjardins components.

Anticipating the financial objectives and needs of our members and clients

The environment in which we are evolving is one of constant and rapid change. Situations are becoming more complex, although at times simpler. DLFC's subsidiaries have to keep pace with a society in perpetual motion. In this age of information, consumers are better informed, and more and more demanding. As a result, DLFC's subsidiaries are having to go that extra mile to offer their clients and the members of the Desjardins caisses products and services that are increasingly tailored to their specific needs and financial situation.

Security for those who really need it

EZ Plan 1-2-3, a new life insurance plan offered by Laurier and Imperial in Canada, as well as at Laurentian Financial Services centres in Quebec, was designed for individuals with serious health problems, who often cannot qualify for insurance coverage that meets their needs. Thanks to EZ Plan 1-2-3, many who were not insurable, especially those suffering from a serious illness or drug addiction, can now purchase adequate coverage for amounts up to one million dollars. Moreover, this plan is valid for the life of the policyholder, unlike term to life policies which terminate at the end of a given period. No other similar competitive insurance product is currently available in Canada.

Peace of mind for travellers

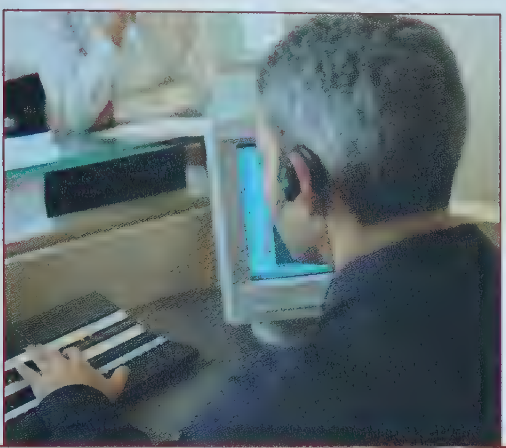
While certain insurers raised premiums by 5%, 10% and even more, Desjardins-Laurentian Life Assurance (DLLA) reviewed its premiums in 1999, focussing more specifically on the travel package for periods of 45 days or less. A recent SOM poll revealed that this segment accounted for 95% of trips made. The result: DLLA has become the niche leader in Quebec for this travel segment, charging the lowest premiums, while its packages for longer trips remain extremely competitive.

Traveller aged: **Number of days:**	**40** **7**	**60** **14**	**40** **45**
DLLA	**$12.00**	**$16.10**	**$51.75**
Blue Cross	$23.00	$38.00	$118.00
Royal Bank	$16.00	$29.00	$90.00
Bank of Montreal	$17.50	$39.20	$144.00
FADOQ (Florida)	$12.00	$20.30	$65.25
Voyageur	$17.00	$30.00	$90.00

Rate in effect at September 1, 1999

Comparison of premiums for healthy individuals, who are entitled to a preferred or equivalent rate from DLLA's competitors

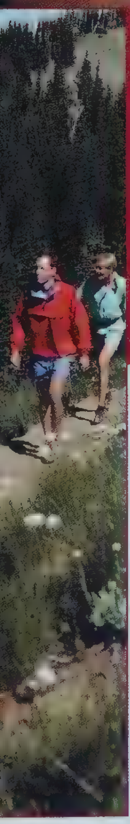
A new psychological assistance service offering



In 1999, DLLA's subsidiary, Sigma Assistel, expanded its range of assistance services by launching its new psychological assistance service. The new service is provided in collaboration with the McKinnon Consulting Group. DLLA clients who wish to use the service are entitled to 15 free phone consultations per year with a professional therapist and counsellor, on a confidential and anonymous basis, to discuss problems they are experiencing or simply to obtain information of a psychological nature. Assistance services, like legal assistance, have become increasingly popular in Quebec, mainly because they are easy to use and adapted to individual needs. Sigma Assistel is ample proof of this, serving more than 2.5 million individuals across Canada.

Diverse management styles

The fact that a majority of its clients choose more and more to hold Canadian stocks in their portfolio prompted Canagex to set up a third Canadian equity management team in 1999, bringing to 12 the number of in-house equity specialists. The investment style favoured by the new team targets stable added value in terms of the TSE 300 index. The creation of this new team very much reflects Canagex's willingness to provide its clients with a complementary product and service offering to better meet all their investment needs.



SPGDAG

More than one million policies in force in 1999

Unparalleled growth in this industry in Quebec

When efficiency and simplicity go hand in hand

As the leading direct general insurer in Quebec, Société de portefeuille du Groupe Desjardins, assurances générales (SPGDAG) has not let up in its efforts to remain the industry benchmark. In fact, in 1999, it consolidated its competitive advantage after successfully streamlining its home insurance product, focussing on a straightforward offer to clients and highlighting a single product which can be adapted to meet individual needs. The sales training for this product was given in 1999 and the product launch is scheduled for February 2000. Once again, SPGDAG's innovative approach has confirmed its leadership in the industry.

Just a call away

Since mid-January 1999, DLLA has been offering its clients free access, 24 hours a day, seven days a week, to the *Health Access Line* at Sigma Assistel, its subsidiary specialized in assistance services. The assistance service is available to nearly 100,000 policyholders covered under the DLLA or Imperial group health insurance plan. Policyholders and their dependants can contact health care professionals on a confidential basis, and immediately receive information on a wide range of subjects, such as fitness, nutrition, vaccination, childcare and lifestyle, as well as addresses of regional resources. Since this service affords DLLA a real competitive advantage, it will continue to offer access to the services of Sigma Assistel, a pioneer in Quebec in assistance services.

Designing innovative and performing savings and investment products

Whether it is a sign of the times or a product of demographics, never has keeping tabs on one's finances or planning for retirement been so popular. Demand has grown for sophisticated savings products which suit all investor profiles, from the most conservative to the most speculative. Well aware of these requirements, DLFC's subsidiaries have been innovative and creative in designing savings and investment vehicles which anticipate their clients' needs.

The latest arrivals

Small Cap Fund

Growth Fund

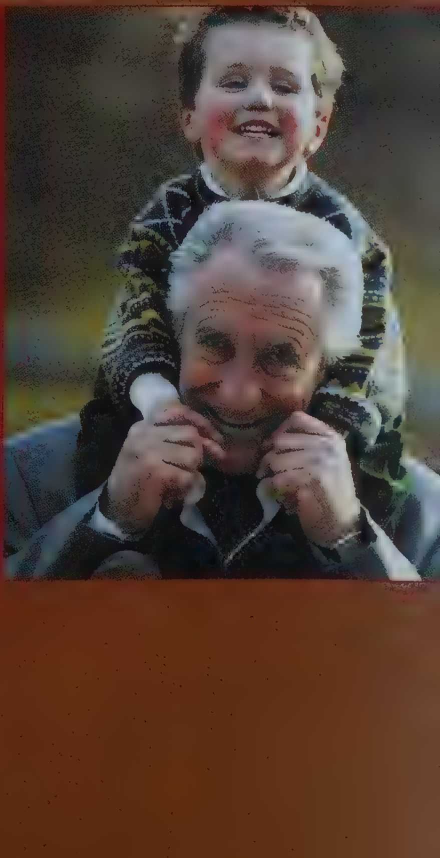
North American Small Company Fund

Global Balanced Fund

Canadian Equity Fund

A growing family

To consolidate their leadership position as group savings plan managers, Desjardins-Laurentian Life Assurance (DLLA) and Imperial added five new funds to the family of funds available for group retirement savings. These new funds, which bring to 19 the number of funds offered, enable DLLA and Imperial to offer their clients greater diversification among various fund categories and better access to foreign markets.



A single fund, broadly diversified

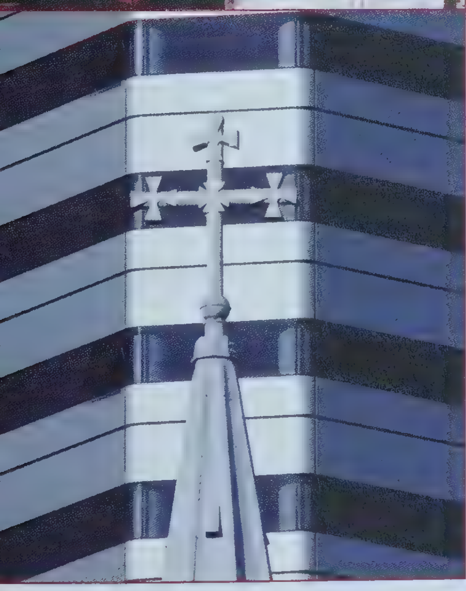
With its range of 30 high-performance funds, Desjardins Trust is a leading player in the investment funds industry in Quebec. At the beginning of 1999, it innovated again by creating a new family of funds, the Desjardins Select Funds. A new family of Quebec funds, the Cartier Mutual Funds, are part of this initiative, as are leading fund managers with enviable track records. The appeal of the Desjardins Select Funds lies in the fact that the portfolios consist of units of underlying funds, unlike the traditional fund mix. Thus, within one and the same fund, the most demanding of investors can access a very wide array of funds as well as the specific expertise of the fund managers.

Far East

Desjardins launched the Desjardins Asia/Pacific Fund in 1999 so that its clients could take advantage of opportunities on Far East markets. Aimed at investors with a long-term investment horizon of at least five years and a high degree of risk tolerance, the Asia/Pacific Fund offers attractive appreciation potential. In fact, there is every indication that the population of Southeast Asia, which is young and highly-educated, will be enthusiastic about developing business. In addition, the fact that the industrialization of China is only beginning suggests the outlook for neighbouring countries is excellent.

DLLA

Acknowledged expertise: $37.6 million group pension management contract obtained in 1999



Canagex ends the year on a high note

Canagex ended the year with sound results for several of its investment products. Its Bond Pooled Fund posted the best performance, on a relative basis, outpacing the SCM Universe Bond index by nearly 1%, making it one of the top-ranked Canadian bond funds. In addition, the American Large-Cap Pooled Fund and the International Growth Pooled Fund both outperformed the vast majority of competitor funds. Finally, for a third straight year, the Canadian Small and Mid-Cap Pooled Fund returned higher than the average of comparable universe fund indexes.

A client-centred approach

Canagex took steps to implement activities and administrative tools to ensure a more personalized customer service offering. Major information technology investments were made to provide clients with more personalized and informative reports. As well, Canagex held its first annual teaching seminar for the religious orders whose investment portfolios it manages. The seminar, which was a great success with those who attended, confirmed the relevance of the approach and session content, which covered such varied topics as investment policy and asset mix, as well as the ethical aspect of investments. Canagex will continue to offer more seminars and to develop this facet as part of its customer service initiatives.

Taking advantage of technology and virtual networks

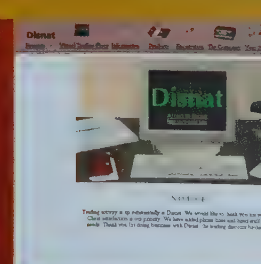
Technology, which is present everywhere, is now part and parcel of our daily lives. Increasing demand from our members and clients for more specialized technology tools and methods has encouraged us to improve our delivery channels and diversify our networks. We will therefore continue to offer our services through traditional physical networks, while making sure that we take advantage of the development opportunities that the virtual world offers. Clearly, the quality of the services which we provide requires judicious use of information technology.

Disnat, keeping pace with technology

Disnat, one of the leading discount brokers in Quebec, recorded a substantial increase in the number of transactions in 1999. To respond to its clients even more effectively, it continued to develop its Internet transaction site (www.disnat.com), introducing real time quotes and the services of Reuters, one of the world's major providers of stock market information. This leading-edge specialized service is offered free to Disnat clients. In the fall of 1999, a new telephone system was installed to help direct client calls more efficiently.

Disnat regularly offers seminars to clients throughout Quebec. Here are some of the topics discussed in 1999:

- Disnat's Internet trading
- Learning to read annual reports
- Economic outlook for the year 2000 and market impact
- Diversify your RRSP
- Understanding the stock market
- Fiscal strategies for retirement planning
- Strategies to reduce the tax burden on families

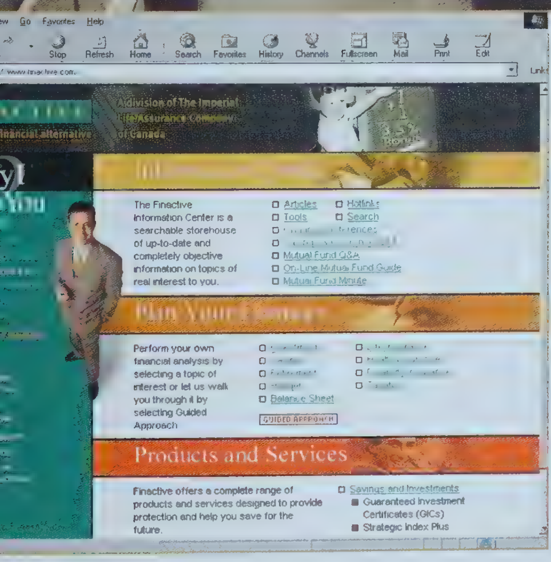


A valuable management tool for investors

To better meet the needs of its clients and of Desjardins members, Desjardins Trust acquired a new IT system to administer investment funds. One of the features of the system is the new account statement for RRSP, RRIF, LIRA or non-registered portfolio investments. The new statement, which is more detailed than its predecessor, provides additional information that investors will find very useful: a portfolio summary, breakdown of assets and transactions, total value of investments, portfolio distribution by asset class, percentage of foreign content, tax information on RRSP contributions, capital gains or losses, and calculation of minimum and maximum remittances for annuity payments.

Optimizing call centre operations

On average, the Société de portefeuille du Groupe Desjardins, assurances générales (SPGDAG) subsidiaries' three call centres – sales, claims and collection – log more than 9,000 call per day, sometimes peaking at 2,500 an hour, or close to 50,000 calls per week. Receiving so many calls has become the norm for SPGDAG. Not only must it be able to meet demand, but it must also make sure that clients are satisfied. From the time it created the three call centres, SPGDAG has been adapting its technology to keep pace with developments in the industry. To ensure that calls are managed as efficiently as possible and to position itself to meet the changes on the horizon in telecommunications and multimedia, SPGDAG is set to implement the latest technology available in the industry in 2000.



Finactive, a truly virtual distribution network

To better serve consumers who like to manage their own finances, The Imperial Life Assurance Company of Canada launched Finactive in the greater Toronto region in the fall of 1999. Standing out from the competition, it became the first life and health insurer in Canada to operate a virtual distribution network. Consumers can access Finactive to obtain information, establish their needs, seek advice and purchase insurance and investment products from Imperial and other companies. Finactive is more than just a web site: it is a veritable distribution network, combining as it does the features of a web site (www.finactive.com) and a call centre (1-888-777-0700).

Finactive's three core features are information, calculators and advice, and products. For example, visitors to the site can obtain complete and up-to-date information daily on financial services and for health matters, use the very effective calculators to do their own financial planning and, lastly, choose the products they like and purchase them. In addition, consumers have ready access to professional advisory services by phone or e-mail.

Targeted first at Ontario consumers, Finactive enjoyed an incredibly successful launch, with client and business volumes exceeding projections several times over. Imperial plans to soon expand Finactive's operations to the British Columbia and Alberta markets.

Supporting the work carried out by various groups active in the economic, social and cultural life of the community

Every year, DLFC and its subsidiary companies make a significant contribution to the Mouvement Desjardins' social fund to support and encourage the work carried out by various agencies and groups active in the economic, social and cultural life of the community. At the same time, DLFC's subsidiary companies actively support causes to which they are dedicated, ranging from medical research, cultural organizations or safety promotion. Their steadfast commitment reflects their willingness to contribute to improving the community in which they operate.

Promoting autonomy and home care

Desjardins-Laurentian Life Assurance has long understood the viability and potential of cooperative home-care services, whose objective is to provide professional and skilled assistance to seniors, the sick and others who express a need. Thus, in 1999, it contributed significantly to helping 33 cooperatives, all members of the Fédération des coopératives de services à domicile du Québec, to start up and develop activities, while at the same time supporting the activities of the Federation.

Contributing to research into children's diseases

The marathon for research into children's diseases has been a familiar event for several years in the Montreal community. In 1999, Desjardins Securities again joined the cause, as it has for the past 12 years, and its full-service and discount brokerage sector employees turned out in full force to lend a hand organizing the marathon. More than 75 staff from Desjardins Securities and Disnat took part, helping to collect $5,000.

Fighting against breast cancer

The Imperial Life Assurance Company has been actively involved in the fight against breast cancer through its financial contributions to Willow, an Ontario organization, which offers support services to those suffering from breast cancer and their families. In 1999, Imperial's sponsorship helped to publicize the organization's toll-free line (1-888-778-3100) and publish a guide listing the resources and services available in the Toronto area.

Supporting the arts and culture

While Desjardins Trust is committed to supporting various community and sports organizations every year, its presence is more noticeable in the area of culture and the arts. Over the years, its name has been associated with the Montreal Museum of Fine Arts, the Ensemble Arion and the Violons du Roy. It also provides support on an informal basis to developing theatre and promoting the next generation of artists.

Biking for sick children

Some 30 Canagex employees braved the rain last September 14 and got on a giant bike to take part in the eighth annual bike-a-thon to benefit the Montreal Children's Hospital Foundation. Their commitment to the Foundation, which has collected more than $1.5 million since 1992, helped it to exceed its annual objective. The funds are used to buy much-needed medical equipment and to renovate various areas of the hospital.

Promoting safety

For more than 15 years, Assurances générales des caisses Desjardins (AGCD) has been proud to have been associated with Opération Nez rouge, a service provided to drivers during the Christmas and New Year's period, and which has become a reference world-wide for road safety. In 1999, AGCD renewed its longstanding support to the Lotopompier campaign. Every year, the proceeds from this lottery go into research and treatment for severe burn victims. AGCD also helped organize the annual golf tournament hosted by the Quebec Firemen's Foundation to benefit severe burn victims.

Running for cancer research

In 1999, Opvest's mortgage investment sector employees took part in the popular Défi Corporatif Canderel, which raises funds for cancer research being carried out by two major universities in Montreal. For the past 10 years, this fundraiser has culminated with a run through downtown Montreal, with employees from the participating institutions determined to stand out, as much for the originality of their outfits as for their performance. So far, almost $3 million has been raised.

Financial review

Management's Discussion and Analysis

This section of the Annual Report describes the business environment in which Desjardins-Laurentian Financial Corporation (DLFC) and its subsidiary companies are evolving and includes Management's analysis of the financial condition and results of operations for the financial years ended December 31, 1999 and 1998. This section also considers the future outlook of each of DLFC's subsidiary companies.

The discussion and analyses which follow are structured and presented based on the consolidated results of operations and the financial condition of DLFC and of its various sectors of activity, including that of the holding company. The analysis by sector of activity discusses the contribution of each sector to DLFC's consolidated net earnings. Each sector's contribution differs from the net results posted by DLFC's subsidiary companies in that it takes into account elements such as the share of results attributable to non-controlling interests and amortization of goodwill arising upon consolidation.

The 1998 and 1997 comparative data have been reclassified, where applicable, to conform to the presentation adopted in 1999.

A glossary of financial terms has been provided on page 67 to facilitate the reader's comprehension of certain technical or specialized terms used in Management's Discussion and Analysis or in the financial statements of the Corporation.

Consolidated Financial Position

Financial performance: an overview

For the year ended December 31, 1999, DLFC reported consolidated net earnings of $80.1 million, compared to $86.2 million in 1998. Return on common shareholders' equity was 7.9% for net earnings per common share of $1.69, compared to return on equity of 9.3% and net earnings per share of $1.82 in 1998.

Net earnings in 1999 included a $38.1 million provision related to the pension transfers in the United Kingdom (explained in greater detail on the following pages), while 1998 net earnings included a provision of $62.3 million. The impact of these provisions on consolidated results, after income taxes, non-controlling interests and reversal of provisions totalled $24.1 million and $25.2 million, respectively, in 1999 and 1998.

Desjardins-Laurentian Life Assurance (DLLA) posted good results in 1999, reflecting the improved profitability of its individual insurance and annuity business and investment income. However, the life and health insurance sector results were negatively affected by the negative contribution of The Imperial Life Assurance Company of Canada (Imperial), which was largely attributable to the more than $37.0 million increase in the provision for the pension transfers in the United Kingdom. The impact of these provisions on DLFC's consolidated net earnings was reduced by $5.0 million with the reversal of provisions already accounted for by DLFC when it acquired The Laurentian Group Corporation. For its part, Société de portefeuille du Groupe Desjardins, assurances générales (SPGDAG) also performed well in 1999, once again posting higher earnings, attributable to business growth, improved claims experience and higher investment income.

Contribution to consolidated net earnings

(in millions of $)	**1999**	1998	1997
Life and health insurance	**17.6**	26.0	43.3
General insurance	**34.2**	32.4	33.7
Trust services	**12.1**	5.3	1.8
Securities brokerage	**3.7**	3.8	6.6
Institutional portfolio management	**1.2**	1.5	1.3
Asset management	**0.2**	-	-
Holding company	**11.1**	17.2	(6.3)
Earnings from continuing operations	**80.1**	86.2	80.4
Earnings from discontinued operations	**-**	-	13.0
NET EARNINGS	**80.1**	86.2	93.4

Desjardins Specialized Financial Services Management (DSFSM), for its part, continued to report significantly improved profitability in fiscal 1999 as a result, more specifically, of higher fee income and the settlement of impaired loan files. Desjardins Securities and Canagex posted returns similar to 1998. Lastly, the holding company's 1999 results were affected by the reversal of a $7.0 million general provision; in 1998, a $14.0 million provision related to asset quality had been reversed to results.

Consolidated revenues

Revenues for the year ended December 31, 1999 totalled $2.9 billion, up 3% from 1998. The increase was largely attributable to the life and health insurance sector where net investment income was up $27.8 million. As for the general insurance sector, gross premiums written totalled $511.7 million in 1999, up 6% from 1998.

Contribution to consolidated revenues

(in millions of $)	**1999**	1998	1997
Life and health insurance	**2,119.5**	2,090.3	2,341.3
General insurance	**514.6**	478.3	438.8
Trust services	**162.2**	165.4	167.2
Securities brokerage	**71.1**	62.1	60.0
Other sectors and eliminations	**32.2**	18.2	20.0
CONSOLIDATED REVENUES	**2,899.6**	2,814.3	3,027.3

Evolution of assets

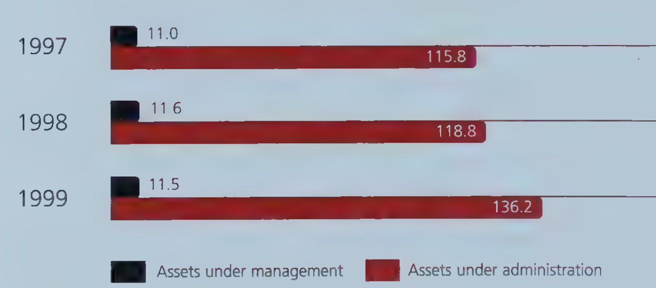
DLFC's consolidated assets totalled $10.3 billion at year end, more or less the same level as at December 31, 1998.

As at December 31, 1999, assets under management and assets under administration totalled $11.5 billion and $136.2 billion, respectively, compared to $11.6 billion and $118.8 billion a year earlier.

The 15% progression reflects, among other things, Desjardins Trust's position as a leader in custodial services in Quebec.

Assets under management and assets under administration

(in billions of $)



Investments

At December 31, 1999, investments totalled $8.3 billion, compared to $8.5 billion a year earlier. The main components evolved as follows:

Marketable securities represented $5.0 billion of total portfolio investments at year-end 1999 and $4.8 billion in 1998. At December 31, 1999, 73.0% were low-risk debt securities issued by the Government of Canada, the provinces, municipalities or school boards. At the same date, the fair market value of marketable securities represented 103.3% of the book value. DLFC intends to maintain the high quality of its marketable securities portfolio.

The loan portfolio totalled $3.0 billion at December 31, 1999, down 13% from 1998. In order to increase revenues while maintaining the profitability and quality of their loan portfolios, DLFC's subsidiary companies target the sound and prudent management of their lending activities. In this regard, each subsidiary company has adopted comprehensive policies and procedures to ensure judicious control of credit risk.

Aside from the overall economic context, a number of factors influence credit risk, such as diversification by type of loan and interest rates. The table on investment distribution reveals no significant variance from 1998.

At year end, the geographic distribution of loans reflected the fact that the subsidiary companies operate mainly in Quebec, where the large majority of loans were granted.

In terms of asset quality, the main strategies consist in diversifying the risks inherent in the subsidiary companies' loan and investment portfolios (amounts committed, risk category, sector, region) and generating an adequate return based on the portfolio risk profile. Consequently, the subsidiary companies draw up

Distribution of investments

(in millions of $ and as a %)	1999 $	1999 %	1998 $	1998 %	1997 $	1997 %
Marketable securities						
Debt securities	**4,617.2**	**55.8**	4,412.3	51.8	4,494.2	50.4
Equity securities	**342.8**	**4.1**	340.8	4.0	280.2	3.1
	4,960.0	**59.9**	4,753.1	55.8	4,774.4	53.5
Loans						
Mortgage loans	**2,443.6**	**29.5**	2,840.7	33.4	3,053.8	34.2
Industrial and commercial loans	**328.1**	**4.0**	340.7	4.0	436.6	4.9
Other loans	**196.5**	**2.4**	244.3	2.9	326.9	3.7
	2,968.2	**35.9**	3,425.7	40.3	3,817.3	42.8
Real estate investments	**348.6**	**4.2**	330.9	3.9	334.1	3.7
TOTAL	**8,276.8**	**100.0**	8,509.7	100.0	8,925.8	100.0

various documents, including detailed quarterly analyses of the loan and investment portfolios, as well as changes in the level of risk of the portfolios, projections and monthly reports regarding the evolution of non-performing assets, their provisioning level, losses incurred on disposal and benchmark analyses with the industry. Most of these documents are presented to the respective credit committees of each subsidiary company.

The Management of DLFC is proud to note that its sustained efforts to improve asset quality have had positive results in terms of impaired loans.

The coverage ratio, which reflects total provisions for loan losses as a percentage of gross impaired loans, was 54.7% at December 31, 1999, compared to 57.4% at the end of 1998. The provisions for loan losses include the cumulative provision for loan losses established according to generally accepted accounting principles and presented on the balance sheet against loans. By adding the provision for credit losses with respect to assets included in the policy liabilities, the ratio was 114.9% compared to 105.8% at the end of 1998. Thus, net impaired loans (net of total provisions) represented -0.3% of consolidated investments at December 31, 1999 and -0.2% in 1998.

Analysis of impaired loans (including foreclosed properties)

(in millions of $, unless otherwise stated)	1999	1998	1997
Gross impaired loans			
Mortgage loans	**134.8**	165.7	311.8
Industrial and commercial loans	**44.1**	56.5	54.1
	178.9	222.2	365.9
Cumulative provision for loan losses			
Specific	**74.8**	104.3	159.9
General	**23.1**	23.2	35.7
	97.9	127.5	195.6
Coverage ratio before policy liabilities	**54.7%**	57.4%	53.5%
Policy liabilities	**107.6**	107.6	107.6
Total provisions	**205.5**	235.1	303.2
Net impaired loans	**(26.6)**	(12.9)	62.7
Total coverage ratio	**114.9%**	105.8%	82.9%
Net impaired loans as a % of investments	**-0.3%**	-0.2%	0.7%

The investment portfolio of DLFC and its subsidiary companies also includes real estate investments, which represent 4.2% of consolidated investments. The negative variance between the book value and the market value of the real estate investments was $18.8 million at December 31, 1999 and $27.5 million in 1998.

In 1998, the Management of DLFC decided to reverse a provision of $14.0 million to results related to asset quality. The provision was no longer required given the improvement in the quality of the investment portfolio.

Liquidity

Liquidity management is a basic component of the sound and prudent management of a financial institution's operations. It presupposes that assets and liabilities are managed both in terms of cash flow and adequacy so as to coordinate cash inflows with projected cash outflows to thus enable a financial institution to honour all its commitments as they arise, avoid recourse to costly funds and meet regulatory requirements.

As at December 31, 1999, DLFC had $940.0 million ($679.9 million in 1998) in cash resources and money market securities on a consolidated basis. Surplus cash resources are invested in the money market and are used to meet the liquidity requirements of DLFC and its subsidiary companies in the normal course of business and for their development. The main companies of the Group carry on business in regulated industries where restrictions are imposed with respect to the interchangeability of assets.

The sums required for the payment of dividends on DLFC's shares are derived mainly from the surplus liquidities generated by the dividends received from the subsidiary companies, management fees charged for services rendered and the return on other investments.

Financing

In 1998, DLFC negotiated an agreement with a bank consortium for a $200.0 million revolving credit facility, for a maximum term of five years maturing in May 2003. In 1999, the amount of the revolving credit facility had been reduced to $153.0 million. Under the loan agreement, DLFC undertook to respect various obligations, including maintaining certain established financial ratios. Moreover, DLFC and some of its subsidiary companies undertook not to pledge their assets. At December 31, 1999, all the undertakings were respected. This agreement gives DLFC the flexibility it needs to manage its growth and development projects.

At December 31, 1999, the unused balance of the revolving credit facility was $153.0 million. DLFC and its subsidiary companies also have an operating credit of $103.0 million, which was not used at December 31, 1999.

On a consolidated basis, DLFC's debt was reduced by $22.4 million, from $117.8 million at December 31, 1998, to $95.4 million at December 31, 1999. The reduction in the debt is reflected in the improved debt/equity ratio, on a consolidated basis, which was 9.0% at December 31, 1999, compared to 11.6% a year earlier.

DLFC's long-term debt includes unsecured promissory notes, totalling $33.5 million, issued to a corporation under common control, which is also a shareholder of DLFC.

Capital

Capital constitutes the underlying stability and strength of a financial institution. DLFC's equity reached $1,062.3 million at December 31, 1999, compared to $1,013.0 million in 1998. Total capitalization is defined as all capital resources invested by the shareholders of DLFC, by the holders of common and preferred shares of the subsidiary companies, as well as by the participating policyholders of the life and health insurance companies. DLFC's total capitalization was $1.3 billion at December 31, 1999, more or less the same level as at December 31, 1998.

DLFC's subsidiary companies are subject to rigorous capital adequacy guidelines drawn up by the regulatory authorities, more specifically the Inspector General of Financial Institutions of Quebec, the Office of the Superintendent of Financial Institutions Canada and the government agencies of the provinces in which they carry on their business. As at December 31, 1999, all of DLFC's subsidiary companies met the regulatory capital requirements in their respective jurisdictions.

Outlook

The demutualization of the major insurance companies and the tabling of the federal government's White Paper have reshaped the financial services landscape, in which DLFC operates. DLFC's strategy for 2000 is geared to an environment that presents numerous challenges. The realities of this environment include market globalization, the proliferation of distribution networks, including e-commerce, accessibility to products under a single roof, as well as more and more performing IT systems oriented to the needs of increasingly sophisticated and demanding clients.

More specifically, DLFC and its subsidiary companies will draw on the strength and identity of Desjardins to take advantage of the new opportunities that deregulation affords. DLFC wants to maximize the efficiency of the partnership that exists between its subsidiary companies in order to better serve its clients and thus generate higher growth through cross-selling. DLFC will continue to exploit new development opportunities, either through targeted acquisitions, partnerships or alliances. It will continue to focus on the strategic aspects of its technology investments, including those related to e-commerce, in order to better position itself in delivering its product and service offering to its client segments.

Business Environment

Legal and regulatory framework

DLFC and its subsidiary companies operate within a complex legal and regulatory framework. In summary, the main regulatory agencies include the Office of the Superintendent of Financial Institutions Canada, the Inspector General of Financial Institutions of Quebec and the government agencies of the provinces in which DLFC's subsidiary companies carry on business. In addition, the subsidiary companies are regulated by the securities commissions and stock exchanges of the provinces in which they issue securities or act as securities brokers. Lastly, deposit-taking institutions are also subject to the regulations of the Quebec Deposit Insurance Bureau. These regulations include standards for sound commercial and financial practices which are intended to guarantee the prudent management of the member institutions. The life and health insurance companies are also members of CompCorp, the agency that self-regulates the industry in Canada in terms of compensation to the public.

Since 1995, Canadian companies listed on the Toronto Stock Exchange must provide information on their corporate governance. The information in this regard is provided in DLFC's Management Proxy Circular.

Control of financial risks

As a holding company, DLFC seeks to optimize the risk/return ratio for all of the business operations of the subsidiary companies, ensuring that the principal financial risks are managed in a prudent manner. These are credit risk, position risk, liquidity risk, capital risk and operating risk. Consequently, the subsidiary companies adopted policies and procedures aimed at controlling these risks. These policies and procedures are presented to the management committees, investment committees and audit committees, as applicable, submitted for approval to the boards of directors of the subsidiary companies and reviewed from time to time to ensure that they adequately meet current needs. Specific business risks related to the activities of each subsidiary company are discussed in the section dealing with the segmented results of each company. Moreover, the subsidiary companies of DLFC's life and health and general insurance sectors respect a code of sound management practices and a dynamic capital adequacy testing as recommended by the various regulatory authorities.

Credit risk

Credit risk is the risk of a loss occurring when a borrower fails to honour its contractual financial obligations. Policies and standards establishing limits per commitment, borrower, region and type of guarantee, defining the decision-making levels required for approval of new commitments and identifying general underwriting standards, ensure diversification of the loan portfolios and sound management of the credit risk within DLFC's subsidiary companies. The subsidiary companies also apply loan valuation and classification mechanisms which allow them to promptly recognize impaired loans and transfer the management of targeted files to groups of experts. The various reports and analyses carried out to better manage this risk are discussed in the section dealing with asset quality.

Position risk

Position risk is the potential for financial loss due to movements in interest rates, foreign exchange rates and equity prices. Interest rate risk represents the exposure to eventual losses due to adverse movements in interest rates. To manage this risk, the subsidiary companies concerned established matching policies, approved by the board of directors and reviewed from time to time, that set out the matching parameters by business sector as well as the roles and responsibilities of the various parties. Matching strategies are drawn up and reports on the matching position are presented to the investment committee on a quarterly basis. Foreign exchange risk is the potential for loss resulting from movements in exchange rates while equity risk is the potential for loss resulting from movements in equity markets. The subsidiary companies concerned have established policies and mechanisms to limit the losses resulting from these risks.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The objective of liquidity management is to ensure that sufficient cash resources are maintained to meet all financial commitments when required. Policies are drawn up to manage balance sheet assets proactively and are underpinned by sound mechanisms aimed at measuring the cash resources and meeting the subsidiary companies' liquidity requirements.

Capital risk

Capital risk, within the subsidiary companies, is managed so as to guarantee the quality of the capital, maintain sufficient capital to meet operating risks, allow for needed investments in the future and protect client assets. Consequently, the policy of the subsidiary companies is to ensure that their capital position exceeds minimum regulatory requirements.

Operating risk

Operating risk is the potential for significant loss as a result of a technology problem, incorrect information processing, natural disaster or any other operations-related problem. Each subsidiary company applies measures to counter this risk, including insurance coverage, drawing up financial and administrative reports, and having the internal audit sector periodically re-evaluate the control measures.

Year 2000 Issue

Preparations

In 1999, all of DLFC's subsidiary companies completed their programs to prepare for the year 2000. Thus, as of June 30, 1999, the main systems had been upgraded and a series of tests were successfully completed in an environment that simulated the rollover to the year 2000. DLFC and its subsidiary companies were thus able to declare systems readiness, and complementary testing continued into October 1999.

In addition to adapting the IT systems, the action plans covering the business aspects were also thoroughly assessed, more specifically:

- communications with employees and clients: these communications, carried out in conjunction with the various industries and the regulatory authorities, reassured clients and maintained confidence in the Mouvement Desjardins;
- the updates and testing of contingency and business continuity plans helped to address problems which might have occurred during the rollover.

All these activities were completed on schedule, making DLFC's subsidiary companies ready to rollover to the new millennium.

Costs and investments

Since 1997, DLFC's subsidiary companies have spent considerable resources on the Year 2000 program to ensure that its systems were Y2K compliant. At December 31, 1999, the total cost of the program did not significantly exceed the $30.0 million projected. In accordance with generally accepted accounting principles, the costs incurred during a financial year to correct the Y2K problem were charged to earnings for the year.

Conclusive results

In the early hours and days of 2000, DLFC ascertained that its efforts had been successful, and this for all of its subsidiary companies. The rollover to 2000 was uneventful and no operations were interrupted. Clients were able to continue using all the financial services of DLFC's subsidiary companies just as they had previously. Testing has continued since the beginning of the year to ensure the accuracy of the data and verify that the systems are operating normally and that no problems have been found.

In conclusion, the Management of DLFC and of its subsidiary companies is satisfied with the work done. Based on the results attained, all the appropriate measures were taken to reduce the risks of this event.

Segmented Results

Life and health insurance sector

DLFC's life and health insurance sector is comprised of Desjardins-Laurentian Life Assurance (DLLA) and The Imperial Life Assurance Company of Canada (Imperial).

In 1999, the life and health insurance sector contributed $17.6 million to DLFC's consolidated net earnings, compared to $26.0 million in 1998. This contribution reflects ROI of 2.8% for DLFC in 1999, compared to 4.1% in 1998.

The variance between the contribution to DLFC's net earnings and the cumulative earnings of the life and health sector subsidiary companies reflects not only the recurring amortization expense for goodwill arising upon consolidation, but also the reversal of a provision of $5.0 million in 1999 ($15.0 million in 1998) related to the $20.0 million provision for the pension transfers in the United Kingdom, which were recorded in 1994 following the acquisition of The Laurentian Group Corporation.

Life and health insurance sector
Selected financial data

(in millions of $, unless otherwise stated)	**1999**	1998	1997
Insurance and annuity premiums	**1,421.9**	1,423.2	1,599.6
Net investment income	**595.6**	567.8	614.0
Benefits and annuities	**1,414.9**	1,559.4	1,654.9
Policy liabilities and other	**84.9**	(79.2)	60.2
Other operating expenses	**511.0**	531.8	490.5
Net earnings	**18.7**	17.7	61.6
Return on equity	**3.1%**	2.5%	10.9%
Total assets	**7,634.0**	7,623.2	7,724.4
Contribution to DLFC's net earnings	**17.6**	26.0	43.3
Return on DLFC's investment	**2.8%**	4.1%	6.8%

Consolidated analysis of results

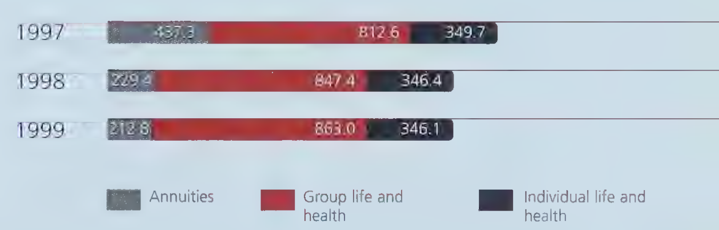
Desjardins-Laurentian Life Assurance posted improved results over the previous year, reflecting mainly the enhanced profitability of its individual insurance and investment income. However, this improvement was not sufficient to offset the deteriorating results at Imperial, which were strongly impacted by weaker results in individual insurance and annuity business as a result of higher reserves, as well as the major investments required to develop Finactive, a new virtual financial services distribution network. Moreover, Imperial's 1999 and 1998 results were weakened by the accounting of a provision for contingencies regarding the pension transfers in the United Kingdom.

It should be noted that, in 1995, Imperial sold its subsidiary in the United Kingdom and provided certain guarantees to the purchaser, more specifically as regards potential compensation for policyholders who had purchased individual pension plans. This potential compensation is related to a problem that affects the industry in the United Kingdom. In 1998, the regulatory authorities in the United Kingdom extended this potential compensation to other policy categories (measure referred to as phase 2). Because of the extension and lower interest rates in the United Kingdom, which drive up compensation costs, Imperial was required to increase the related provision by $62.3 million. In 1999, this provision was increased by $37.0 million in order to respect the new guidelines issued by the regulatory authorities in the United Kingdom and to reflect the claims established so far related to the guarantees under phase 2, which are proving more costly than initially projected.

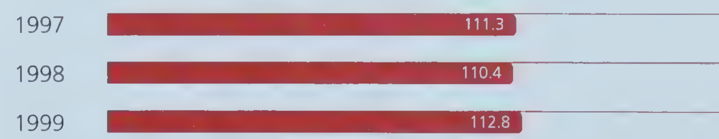
In 1999, life and health sector insurance premiums rose 1% and annuity premiums fell 7%. In insurance, premium growth was derived from group business generated by Imperial. However, the drop in annuity business reflected lower demand for savings products across the market. Life insurance in force at December 31, 1999 totalled $112.8 billion compared to $110.4 billion at year-end 1998.

Net investment income totalled close to $596 million in 1999, up 5% from 1998. The increase is chiefly attributable to the sound performance of DLLA's alternative investment strategies program, which contributed $13.4 million more to net investment income than in 1998.

Premiums
(in millions of $)



Life insurance in force
(in billions of $)



In terms of expenses, benefits and annuities declined 9%. Conversely, policy liabilities were increased by $84.9 million in all business lines. Other operating expenses totalled $511.0 million, down $20.8 million from 1998, reflecting the subsidiary companies' cost reduction efforts.

Results of the subsidiary companies

The share of net earnings of DLLA attributable to the shareholder totalled $56.3 million in 1999, compared to $52.8 million in 1998. These results correspond to ROE of 18.8%, compared to 20.2% in 1998.

The 1999 results reflect lower administrative expenses, higher investment income, thanks to the performance of the alternative investment strategies program, as well as enhanced profitability in individual insurance, a sign of improved mortality experience and higher rates for certain products. However, these elements were impacted by deteriorating group life experience, higher taxes than in 1998 and investments related to the formation of a team of financial security consultants dedicated to serving caisses members.

In terms of premium income, insurance premiums rose 1% and annuity premiums declined 2% in 1999. The growth in insurance premiums was derived largely from increased sales of life insurance products, one for the elderly and the other for credit card balances. The decline in annuity premiums largely reflected the decline across the individual market and was offset by new single-premium group pension contracts.

Imperial's contribution to the shareholder represented a loss of $37.9 million in 1999, compared to a loss of $35.4 million in 1998.

Substantial provisions for contingencies regarding the pension transfers in the United Kingdom, as mentioned previously, largely explain Imperial's disappointing results in 1999 and 1998. Individuals insurance and annuity results also deteriorated mainly because of higher reserves for annuities and lapsed policies; 1998 results had been favourably impacted by the acquisition of Laurier Life. However, group insurance results improved from 1998, attributable to improved experience and increased business.

In 1999, insurance premiums rose 3% at Imperial while annuity premiums declined 25% from 1998. Growth was generated by new group insurance business and higher premiums on renewal. Annuity premiums were down as savings products fell out of favour.

Regulatory context

The life and health insurance industry is strictly regulated. The main statutory requirements concern capital adequacy. The Office of the Superintendent of Financial Institutions Canada (OSFI) and the Inspector General of Financial Institutions of Quebec (IGFI) require that insurance companies maintain a Minimum Continuing Capital and Surplus Ratio (MCCSR) in order to provide additional guarantees of their solvency. Capital adequacy standards have also been established by CompCorp, the private compensation fund created by the insurance companies for policyholders. CompCorp also evaluates the evolution of the MCCSR ratio and operating income, as well as asset mix and liquidity.

At the end of 1999, the subsidiary companies had MCCSR ratios exceeding the minimum requirement of IGFI and OSFI. They guarantee complete coverage for policyholders. As well, the subsidiary companies meet all CompCorp requirements.

Business risks

DLFC's life and health insurance subsidiary companies adopted certain practices to manage the financial risks to which they are subject. The main risks these subsidiary companies face presently concern invested assets, actuarial liabilities, exposure to claims settlement, pricing and legal proceedings.

The main business risks related to the invested assets are the matching risk and the credit risk associated with the loans granted. To counter the matching risk, the subsidiary companies set up rigorous control mechanisms to ensure optimal matching between the assets and liabilities related to insurance policies and annuities. To offset the credit risk associated with the loans granted, the life and health insurance subsidiary companies have, in recent years, drawn up strict credit policies, resulting in the implementation of an independent risk evaluation system and the allocation of resources to loan surveillance, management and recovery of impaired loans. Moreover, the subsidiary companies set aside sufficient provisions, which increase in importance from year to year with respect to the impaired loans portfolios.

As regards actuarial liabilities, when establishing the policy liabilities, certain additional provisions are taken to protect the subsidiary companies against the risks of unfavourable variances associated with estimates made. Moreover, in accordance with the professional standards of the Canadian Institute of Actuaries, policy liabilities are certified by the Corporation's appointed actuary.

Claims risk is managed by establishing appropriate risk selection criteria and limiting the subsidiary companies' exposure to life and health insurance claims settlements through reinsurance. However, the use of reinsurance does not free the subsidiary companies from their obligations to their policyholders. Consequently, the subsidiary companies also expose themselves to credit risk with respect to their reinsurers. To minimize this risk, the subsidiary companies only sign reinsurance treaties with solid, well-established and duly-accredited companies.

Pricing risk is related to the possibility that the projection of several factors required to establish premiums, including the future return on investments, mortality and morbidity experience, as well as administrative expenses, are erroneous. While certain products allow prices to be adjusted based on whether or not projections are realized, others do not. Pricing standards are established by the subsidiary companies and timely checks are carried out comparing projections with actual experience.

Moreover, in recent years, legal actions have been filed against a certain number of insurance companies in North America with respect to the sale of life insurance policies on a vanishing premium basis. In some cases, these actions resulted in significant payments being made by companies. One of the subsidiary companies is a named defendant in a similar action. The existing action is in its early stages and the Corporation is not able to make a precise assessment of the probable outcome of such litigation.

Outlook

As the top-ranked insurer in Quebec with multiple delivery networks, Desjardins-Laurentian Life Assurance is extremely competitive and has the resources and a good head start to maintain its leadership position in terms of premiums written.

Imperial, for its part, implemented a number of measures over the past years to improve its growth and profitability. Most recently, it integrated the administration of its individual network operations across Canada with those of DLLA. Despite all this, DLFC estimates that Imperial's foreseeable results do not meet the objectives set. The boards of directors of Imperial and of DLFC therefore authorized the Management of DLFC to carry out a strategic review of the company's Canadian individual insurance and annuity operations. A number of scenarios are being studied, including strategic alliances, partnerships or the cessation of less profitable business.

As regards the pension transfer situation in the United Kingdom, described previously, there is no risk that the compensation program will be extended and affect the guarantees given by the company when it sold its subsidiary in 1995. The company set aside provisions in 1999 based on best estimates using information available and settlement principles accepted by the industry. However, the amount and extent of the compensation remain uncertain, as the latter depends on the revisions to the guidelines issued regularly by the authorities and future economic conditions.

Société de portefeuille du Groupe Desjardins, assurances générales

General insurance

Société de portefeuille du Groupe Desjardins, assurances générales
Selected financial data

(in millions of $, unless otherwise stated)	**1999**	1998	1997
Gross premiums written	**511.7**	482.8	438.0
Net earned premiums	**465.9**	431.7	401.5
Claims and net expenses	**338.3**	321.7	288.4
Operating expenses	**119.3**	109.9	101.9
Combined ratio	**98.2%**	100.0%	97.2%
Underwriting profit	**8.4**	0.1	11.2
Investment income	**48.7**	46.6	37.2
Net earnings	**34.2**	32.4	33.7
Return on equity	**14.3%**	14.9%	17.2%
Total assets	**714.2**	654.5	621.6
Contribution to DLFC's net earnings	**34.2**	32.4	33.7
Return on DLFC's investment	**14.3%**	14.9%	17.2%

Société de portefeuille du Groupe Desjardins, assurances générales (SPGDAG) contributed $34.2 million to DLFC's consolidated net earnings, for ROI of 14.3%. In 1998, it contributed $32.4 million, for a return of 14.9%.

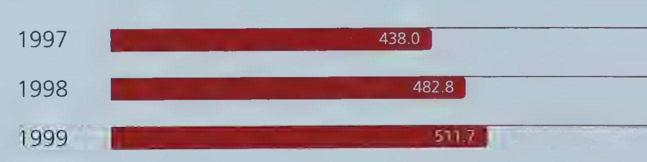
Excluding the $6.0 million in tax benefits which pushed up earnings in 1998, the 1999 net earnings are all the more satisfactory. The improved results in 1999 are attributable to increased business, improved claims experience and higher investment income.

In fact, consolidated gross premiums written for the two SPGDAG subsidiary companies reached the half-billion dollar mark, insurance operations gave rise to an underwriting profit for the seventh consecutive year and investment income generated a net return of 10.8%.

Consolidated analysis of results

Gross premiums written in 1999 totalled $511.7 million, up 6% from $482.8 million in 1998. SPGDAG's two subsidiary companies, Assurances générales des caisses Desjardins and La Sécurité, assurances générales, contributed to this historic high, posting premium volume growth of 4.5% and 12.2%, respectively. Promotions geared to auto insurance, the sector where SPGDAG posts its best performances, the support of the Desjardins network and the sale of policies to new groups were among the main growth factors in 1999.

Gross premiums written
(in millions of $)



The combined ratio was 98.2% in 1999 versus 100.0% in 1998. The underwriting profit of 1.8% or $8.4 million constitutes a significant improvement from the $0.1 million in 1998. Claims experience improved in 1999, more specifically in home insurance where catastrophes had less of an effect than the severe ice storm of 1998. Claims experience in automobile remained low, attributable to reduced collision and theft frequency, especially in the second half of the year.

The expense ratio was 25.6% of net premiums earned in 1999, comparable to 25.5% in 1998. The ratio of operating expenses to premium-volume was the same as in 1998, despite the fact that the employer again began to make partial contributions to the employee pension plan and the return to full-time status of sales

staff allocated temporarily to provide support for settling the ice storm claims in 1998 and who were expenses under claims.

Investment income totalled $48.7 million compared to $46.6 million in 1998. Investment strategies were extensively revised in 1999 to take advantage of changes on financial markets. Gains on the disposal of stocks and bonds thus accounted for up to 53% of investment income in 1999, surpassing the percentage earned in 1998.

Regulatory context

SPGDAG and its subsidiary companies are incorporated under the laws of Quebec. They must report on their activities to the Inspector General of Financial Institutions of Quebec (IGFI). The main requirements of the legislation governing SPGDAG and its subsidiary companies relate to insurance activities, investments and capital adequacy to cover the insurance risks in effect.

In 1999, SPGDAG and its subsidiary companies maintained or obtained all the required operating permits. Insurance practices respect the applicable legislation. Investments were carried out in accordance with the investment policies approved by the Board of Directors and tabled with the IGFI. Both subsidiary companies, which hold insurer permits, maintained capitalization that significantly exceeded the minimum statutory requirements.

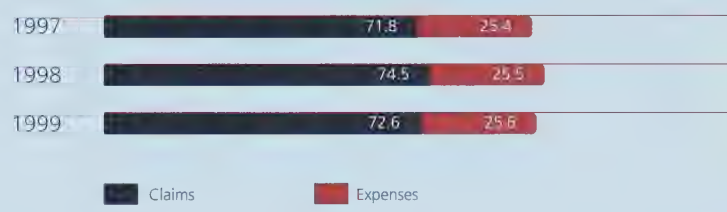
Both subsidiary companies submit their financial data to certain organizations, for industry benchmarking purposes. Thus, they are listed in a TRAC Insurance Services Ltd. publication, which is widely consulted by the industry in Canada. In 1998, the two subsidiary companies obtained the highest scores, namely 8+ points for the required ratios and received an "A" rating for profitability. In 1999, preliminary calculations suggest that both subsidiary companies will maintain their scores.

Business risks

Part of a general insurer's normal work is to individually analyze the physical, moral or other risk which each client and the property insured represents. This risk is reflected in the rates applied.

Moreover, climatic conditions in recent years have shown that nature on occasion causes catastrophic damage to insured property. In order to limit the consequences of these risks, SPGDAG maintains a

Combined ratio
(as a % of net premiums earned)



reinsurance program adapted to the circumstances and features of the policies in force. The application of appropriate underwriting policies is also strictly controlled.

The evolution of provisions for outstanding claims respects the rules of the Canadian Institute of Actuaries. These provisions are valuated by an appointed actuary, who is not an employee of the company, and his work limits the possibility of significant variances in actual future claims versus the provisions.

During each of the past three years, the provisions for outstanding claims exceeded actual payments by a margin of 10.8% to 12.0%. The variance reflects the prudent approach which Management has chosen when valuating the provisions required.

In 1999, as part of his opinion on the financial situation of the subsidiary companies, the appointed actuary carried out dynamic capital adequacy testing. During this exercise, various adverse scenarios were simulated and the subsidiary companies' capital proved sufficient in each case.

The investment management policy reflects the desired degree of risk. The objective is to achieve the best risk/return ratio. Varied maturities and daily liquidity management greatly reduce the risk of capital inadequacy or non-performing funds.

The use of leading-edge information technology is an integral part of SPGDAG's corporate strategies. The main IT systems used are sales, pricing and segmentation, billing, claims settlement and financial software systems.

Société de portefeuille du Groupe Desjardins, assurances générales
Net provisions for losses and claims expenses

(in millions of $, unless otherwise stated)	1998	1997	1996	1995	1994 (and prior)
Reserves originally established end of year	67.4	60.7	61.4	55.6	87.1
Paid (cumulative)					
One year later	47.9	45.9	45.6	42.5	36.5
Two years later		48.4	47.8	46.4	44.6
Three years later			49.6	47.0	47.7
Four years later				48.0	50.1
Five years later					53.5
Estimated losses (cumulative)					
One year later	60.1	55.2	58.3	56.4	82.4
Two years later		53.4	54.7	52.8	73.7
Three years later			54.8	52.3	71.6
Four years later				52.7	72.0
Five years later					71.6
At December 31, 1999					
Cumulative surplus	7.3	7.3	6.6	3.0	15.5
Cumulative surplus as a % of reserves initially established	10.9%	12.0%	10.8%	5.3%	17.8%

Outlook

SPGDAG intends to pursue its profitable growth in 2000, strengthened by its strategic potential and the technology tools it has developed in recent years. The partnership agreement with the caisses Desjardins has been renewed for a further three years. The product offering will be improved significantly, both for auto and home insurance. SPGDAG intends to position itself to meet both the competition and new market players and maintain its performance.

Desjardins Specialized Financial Services Management

Trust services

Desjardins Specialized Financial Services Management (DSFSM) contributed $12.1 million to DLFC's consolidated net earnings in 1999, compared to $5.3 million in 1998. This represents ROI of 68.8% for DLFC, compared to 60.5% in 1998.

DSFSM reported net earnings of $11.6 million in 1999 compared to $4.4 million in 1998, for return on shareholders' equity of 46.3% compared to 28.8% in 1998. Growth in fee income as well as the settlement of impaired loans were the major elements of the year. As for Desjardins Trust, DSFSM's main subsidiary, it reported net earnings of $15.5 million in 1999, compared to $19.7 million in 1998, for return on equity of 25.2% in 1999 compared to 31.6% in 1998.

Consolidated analysis of results

Fee income rose from $75.1 million in 1998 to $81.1 million in 1999. The $6.0 million increase was mainly due to higher sales of the company's products and services overall and this in a context where the industry is reporting slower growth in the sale of mutual funds, one of Desjardins Trust's main activities. Securities administration and custodial services were largely responsible for generating higher fee income. Fee income from the Desjardins Funds rose 12% from 1998, reflecting the 10% rise in the volume of funds outstanding.

Desjardins Specialized Financial Services Management
Selected financial data

(in millions of $, unless otherwise stated)	**1999**	1998	1997
Fee income	**81.1**	75.1	64.9
Net investment income	**19.5**	12.3	8.6
Operating expenses	**86.2**	82.3	73.4
Net earnings	**11.6**	4.4	1.8
Return on equity	**46.3%**	28.8%	21.4%
Total assets	**1,332.2**	1,392.5	1,461.3
Assets under management	**530.6**	433.4	278.9
Assets under administration	**133,640.0**	118,048.2	115,517.5
Contribution to DLFC's net earnings	**12.1**	5.3	1.8
Return on DLFC's investment	**68.8%**	60.5%	44.5%

Net investment income totalled $19.5 million, compared to $12.3 million in 1998. The increase was mainly due to the substantially lower average volume of impaired loans, the more optimal asset mix and the revenue generated by the Immigrant Investor Program.

Operating expenses totalled $86.2 million in 1999, compared to $82.3 million in 1998. The increase essentially reflects the additional expenses incurred to support fee income growth and technology investments in the investment funds sector.

Regulatory context

Desjardins Trust's debt may not exceed twenty times its capital, in accordance with the standards applied by the Inspector General of Financial Institutions of Quebec. At December 31, 1999, the debt/equity ratio was 16.8 compared to 16.6 at December 31, 1998.

Business risks

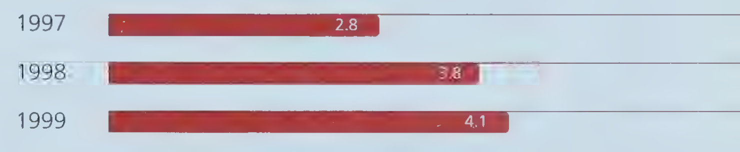
While DSFSM has substantially reduced the size of its commercial and industrial loan portfolio in recent years, an economic environment marked by significantly higher interest rates could result in an increase in the impaired loans portfolio and give rise to a less favourable rate of liquidation of non-performing loans. To take this potential risk into account, DSFSM's strategy is to take a dynamic approach in managing the impaired loans portfolio while ensuring its consistent reduction. In addition, DSFSM took a general provision for loan losses deemed sufficient to cover such contingencies.

Moreover, given the growing importance of mutual funds in Desjardins Trust's operations, it must protect itself from a substantial drop in demand which may result, among other things, from stock market and interest rate fluctuations. To offset this business risk, Desjardins Trust created several funds which are less sensitive to short-term market fluctuations. As well, its sales approach is geared to identifying a potential buyer's investment horizon and risk tolerance so as to propose the funds best adapted to his or her needs.

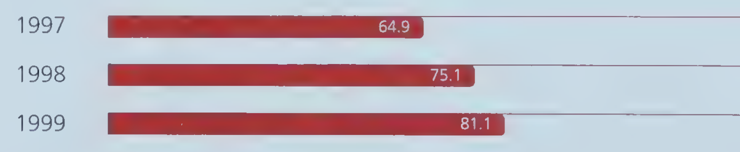
Outlook

DSFSM will continue to position its main subsidiary, Desjardins Trust, as an investment funds producer. Thus, it will continue to actively develop this priority activity sector, mainly by promoting the sale of investment funds in the caisses network and by establishing new delivery channels, both in Quebec and in the rest of Canada. In fact, at the beginning of 2000, it began to distribute its funds via the network of the Centrale des caisses de crédit du Canada.

Volume of Desjardins Funds outstanding
(in billions of $)



Fee income
(in millions of $)



Desjardins Trust also intends to continue growing its individual portfolio management activities. To do this, it will promote discretionary portfolio management and dynamic asset management. Desjardins Trust will also enhance its offer of private management services by marketing new products starting in the first half of 2000.

Moreover, Desjardins Trust, a leader in securities administration and custodial services and the top-ranked trustee in Quebec for group savings plans will do everything it can to maintain its competitive edge in these areas of activity.

As for Crédit industriel Desjardins, DSFSM's other subsidiary, it will continue to liquidate its impaired loan portfolio in a gradual and orderly manner.

Desjardins Securities

Securities brokerage

Desjardins Securities
Selected financial data

(in millions of $, unless otherwise stated)	**1999**	1998	1997
Commission revenue	**54.7**	47.5	49.0
Total revenues	**71.1**	59.6	60.0
Operating expenses	**64.6**	53.3	48.8
Net earnings	**4.1**	4.2	7.0
Return on equity	**14.6%**	16.4%	33.1%
Total assets	**451.5**	327.1	303.8
Assets under administration	**5,985.9**	4,280.7	3,436.5
Contribution to DLFC's net earnings	**3.7**	3.8	6.6
Return on DLFC's investment	**11.2%**	12.2%	24.3%

Desjardins Securities contributed $3.7 million to DLFC's consolidated net earnings in 1999, compared to $3.8 million in 1998. Its contribution represents ROI of 11.2% for DLFC compared to 12.2% in 1998.

Desjardins Securities posted net earnings of $4.1 million in 1999, compared to $4.2 million in 1998. Investors remained cautious until the third quarter, reflecting the uncertainties created by the Y2K Issue and potential interest rate hikes. The announcement, in the fourth quarter, of a slight increase in the Federal Reserve's Fed Funds rate prompted more activity on stocks markets, enabling Desjardins Securities to exceed the commission levels of the previous year. Return on equity was 14.6%, which was higher than for the industry as a whole.

Analysis of results

Total revenues rose $11.5 million in 1999 to $71.1 million, up 19% from 1998. Commissions rose 15%, reflecting the 51% increase in the volume of activity. The Desjardins caisses network accounted for 52% of commission revenue in 1999, compared to 53% in 1998.

The increase in operating expenses was attributable, in part, to higher business volume but also to the consolidation of the infrastructure, where major investments were made to improve the telephone systems and the web site, as well as the considerable effort to ensure a smooth rollover to 2000.

Commission revenue
(in millions of $)

Assets under administration totalled $6.0 billion compared to $4.3 billion in 1998, a rise of 40%.

Regulatory context

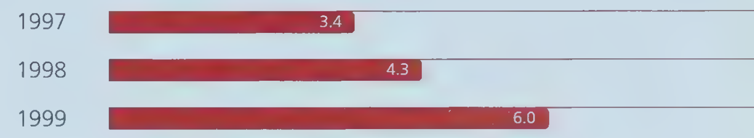
As an investment dealer, Desjardins Securities is a member of the Investment Dealers Association of Canada (IDA) and of the Montreal and Toronto stock exchanges. It respects and exceeds all capitalization requirements applied by the self-regulating agencies.

Business risks

Credit risks are mainly related to the client failing to honour his contractual obligations and to unfavourable market fluctuations, which would prevent the company from fully realizing the guarantees. Moreover, Desjardins Securities holds securities in inventory, the value of which fluctuates in accordance with the market.

Management measures, monitors and controls credit and market fluctuation risks by means of internal control and management policies and methods recommended by the self-regulating agencies.

Assets under administration
(in billions of $)



Outlook

Desjardins Securities will continue to grow by adding seasoned consultants and expanding its distribution network, mainly in full-service brokerage. The priorities for 2000 include optimizing operations. The company will pay special attention to developing and improving its web site, which will enable it to expand the product range that can be transacted on-line by investor clients.

Canagex

Institutional portfolio management

Canagex contributed $1.2 million to DLFC's consolidated net earnings, compared to $1.5 million in 1998. Fee income rose 12% in 1999 while operating expenses rose 31%. This increase is mainly attributable to the restructuring of the management team, the creation of a third team to manage the Canadian equity portfolio and technology investments.

Asset under management at Canagex totalled $11.5 billion at December 31, 1999, slightly lower that at year-end 1998.

Assets under management
(in billions of $)

Opvest

Asset management

At the beginning of 1999, DLFC created a new subsidiary, Opvest, in order to centralize its asset management expertise and maximize the returns generated by the investment portfolios of the other DLFC subsidiary companies. This subsidiary is managed as a shared service centre and its net operating expenses are allocated among the other DLFC subsidiary companies. Its mandate is also to create and market various investment instruments, which are distributed throughout the Desjardins network, an activity which generates fee income.

In 1999, Opvest contributed $0.2 million to DLFC's consolidated net earnings.

DLFC - Holding Company

As a holding company, DLFC's role is to assure the financial control and the strategic planning of the financial group it oversees, direct the orientation of its subsidiary companies, maximize the synergy which exists both among the operating companies and with the extensive Mouvement des caisses Desjardins network and, thus, ensure its shareholders a competitive return. Since the end of 1998, the holding company has also assumed additional responsibilities in terms of centralized asset management and business development.

DLFC's Management, in addition to contributing to the strategic orientations of its subsidiary companies, pays close attention to the financial position of the holding company itself. More specifically, it continually monitors liquidity management and indebtedness. Management also follows the evolution of its investments in the subsidiary companies to ensure that available capital is allocated in an optimal manner and that its regulated subsidiary companies are adequately capitalized.

Analysis of results

The holding company, for its part, contributed $11.1 million to DLFC's consolidated results, compared to a contribution of $17.2 million in 1998. Essentially, the expenses incurred by DLFC consist of operating and interest expenses less management fee income from the subsidiary companies, as well as investment income from surplus liquidities.

The 1999 results included the reversal of $7.0 million in general provisions, which were no longer required, while the 1998 results included the reversal of a $14.0 million provision for asset quality. Excluding these reversals, the improvement of $1.0 million in the holding company's contribution was mainly attributable to the $69.0 million reduction in the long-term debt at December 31, 1998, the interest on which was higher than the return on liquidity.

Liquidity

DLFC is a holding company which, by its very nature, depends on its subsidiary companies for its cash inflows, which are essentially in the form of management fees and dividends. Liquidity management is therefore an essential function at the level of the holding company.

The management fee policy adopted by DLFC as part of its liquidity management enables it to fully recover its operating costs.

At December 31, 1999, the holding company had liquidities of $92.3 million invested short-term, whereas at December 31, 1998, the balance totalled $73.0 million. The increase in liquidity mainly reflects the surplus from cash flow for the year and repayment of a portion of a loan by a subsidiary. Management plans to use this liquidity to finance the Corporation's growth projects.

Investments in subsidiary companies

Investments in shares, accounted for using the equity method, totalled $963.7 million at December 31, 1999, compared to $924.1 million in 1998. The variance from 1998 takes into account, among other things, the share of earnings of the subsidiary companies and dividends received.

Loans and advances to subsidiary companies

DLFC has a general financing policy to meet the needs of its subsidiary companies. At December 31, 1999, loans granted to the subsidiary companies totalled $45.9 million, compared to $54.0 million at December 31, 1998.

DLFC – holding company
Summary non-consolidated balance sheet

(in millions of $, unless otherwise stated)	**1999**	1998	1997
Assets			
Cash, money market securities and marketable securities	**92.3**	73.0	142.4
Investments in subsidiary companies	**963.7**	924.1	870.5
Loans and advances to subsidiary companies	**45.9**	54.0	43.5
Other assets	**12.8**	14.6	8.2
TOTAL ASSETS	**1,114.7**	1,065.7	1,064.6
Liabilities			
Long-term debt	**33.4**	33.4	102.8
Other liabilities	**19.0**	19.3	22.7
TOTAL LIABILITIES	**52.4**	52.7	125.5
Equity	**1,062.3**	1,013.0	939.1
TOTAL LIABILITIES AND EQUITY	**1,114.7**	1,065.7	1,064.6
Debt ratio	**3.2%**	3.3%	10.9%

Long-term debt
DLFC's non-consolidated debt was $33.4 million at year end, comprised solely of unsecured promissory notes issued to a corporation under common control, which is also a shareholder of DLFC. The debt ratio is 3.2%, on a non-consolidated basis, compared to 3.3% a year earlier.

Credit ratings
In 1999, the rating agencies CBRS and DBRS reconfirmed their ratings on DLFC's Class A Preferred shares, namely "P-3", qualified as "stable" by CBRS and "Pfd-3 (low)" qualified as "stable" by DBRS. These agency ratings reflect DLFC's presence in all sectors of the financial industry, its position within the Mouvement des caisses Desjardins and its consistent positioning and consolidation efforts.

Share purchase program
On November 17, 1999, DLFC's Board of Directors authorized the Corporation to set up a share purchase program. Under the terms of the program, DLFC can redeem no more than 10% of the float with respect to the Class A Subordinate voting shares issued and outstanding at that date on the open market on the Toronto Stock Exchange during a 12-month period. The shares redeemed under the program will be cancelled by DLFC.

During the first share purchase program covering the 12-month period beginning November 25, 1998 and ending November 24, 1999, DLFC redeemed 906,800 Class A Subordinate voting shares, the maximum fixed under the program.

At its meeting on November 16, 1999, the Board of Directors extended the program and authorized DLFC to redeem no more than 822,000 Class A Subordinate voting shares during the 12-month period beginning November 25, 1999 and ending November 24, 2000. At February 11, 2000, 280,725 shares had been redeemed since the start of the program.

The Board of Directors and the Management of DLFC noted that, in the current market context, a significant number of publicly-held corporations in North America have implemented share purchase programs and considered that it was timely and desirable to maintain such a program. Thus, DLFC is demonstrating the confidence it has in the value of its stock.

Dividends
Dividends paid to holders of DLFC preferred shares totalled $10.3 million in 1999, or $1.50 per share, excluding related taxes.

The dividends paid to holders of Class A Subordinate shares and Class B shares totalled $4.9 million in 1999, or $0.12 per share payable at the rate of $0.03 per quarter. In 1998, quarterly dividends were $0.015 during the first three quarters and $0.03 in the fourth quarter, for a total dividend payout of $3.1 million.

Management's Responsibility for Financial Reporting

The consolidated financial statements of Desjardins-Laurentian Financial Corporation and all the information contained in this Annual Report are the responsibility of Management and have been approved by the Board of Directors. The financial information used elsewhere in the Annual Report is in accordance with the information presented in the financial statements.

These financial statements were prepared by Management in accordance with accounting principles generally accepted in Canada. The financial statements necessarily include amounts established by Management based on estimates it considers to be reasonable and fair. Among other things, these estimates include the valuations of the actuarial and related liabilities done by the valuation actuaries of the Corporation's insurance subsidiaries.

As part of its responsibilities, the Corporation's Management has implemented internal control systems to provide reasonable assurance that assets are protected against unauthorized use or a potential loss, and that the accounting books and records constitute a reliable basis for establishing reliable and complete financial information.

The Board of Directors is responsible for examining and approving the information contained in the Corporation's consolidated financial statements. It exercises its responsibility primarily through its Audit Committee, made up of a majority of Directors who are unrelated within the meaning of the guidelines issued by the stock exchanges and who are not officers of the Corporation.

The Audit Committee periodically meets with Management and with the internal and external auditors to examine questions related to the communication of financial information and to discuss the internal control systems, the scope of the annual audit, the internal audit of the subsidiaries and other related topics. The auditors may meet with the Audit Committee whenever they wish, in the presence or absence of Management. The Audit Committee informs the Board of Directors of its recommendations when the Board approves the publication of the consolidated financial statements addressed to the shareholders.

The consolidated financial statements were examined by the auditors appointed by the shareholders, Raymond Chabot Grant Thornton and Ernst & Young LLP, and their report follows.

Michel Thérien
President and Chief Executive Officer

Norman A. Turnbull
Senior Vice-President, Finance and Administration

Montreal, Canada
February 16, 2000

Auditors' Report

To the Shareholders of
Desjardins-Laurentian Financial Corporation

We have audited the consolidated balance sheets of Desjardins-Laurentian Financial Corporation as at December 31, 1999 and 1998 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

ERNST & YOUNG LLP
Chartered Accountants

Raymond Chabot Grant Thornton

RAYMOND CHABOT GRANT THORNTON
General Partnership
Chartered Accountants

Montreal, Canada
February 16, 2000

Consolidated balance sheets

As at December 31 (in thousands of dollars)	Note	**1999**	1998
ASSETS			
Portfolio investments			
Marketable securities	2	**4,960,041**	4,753,091
Loans	3	**2,968,161**	3,425,710
Real estate investments	4	**348,603**	330,936
		8,276,805	8,509,737
Cash and money market securities	5	**939,952**	679,937
Other assets	6	**1,096,061**	987,956
		10,312,818	10,177,630
LIABILITIES			
Actuarial and related liabilities	7	**6,458,804**	6,412,386
Deposits and notes	8	**1,176,423**	1,227,260
Long-term debt	9	**95,402**	117,812
Other liabilities	10	**1,306,967**	1,185,286
		9,037,596	8,942,744
NON-CONTROLLING INTERESTS	11	**212,924**	221,912
EQUITY			
Capital stock	12	**701,219**	713,284
Contributed surplus	12	**82,361**	84,875
Retained earnings		**278,718**	214,815
		1,062,298	1,012,974
		10,312,818	10,177,630

On behalf of the Board,

Claude Béland

Claude Béland
Director

M Thérien

Michel Thérien
Director

Consolidated statements of retained earnings

Years ended December 31 (in thousands of dollars)	Note	1999	1998
RETAINED EARNINGS, BEGINNING OF YEAR		**214,815**	143,002
Net earnings		**80,085**	86,166
Dividends on common shares		**(4,897)**	(3,086)
Dividends on preferred shares (including income taxes of $337,000 in 1999 and $319,000 in 1998)		**(10,685)**	(10,667)
Amortization of the difference between par value and carrying value of preferred shares	12	**(600)**	(600)
RETAINED EARNINGS, END OF YEAR		**278,718**	214,815

Consolidated statements of earnings

Years ended December 31 (in thousands of dollars, except per share amounts)	Note	1999	1998
REVENUES			
Net premiums		**1,881,339**	1,850,932
Interest and investments		**750,952**	733,191
Other		**267,341**	230,127
		2,899,632	2,814,250
EXPENSES			
Claims, benefits and changes in actuarial and related liabilities and other		**1,877,490**	1,820,192
Interest		**66,272**	77,411
Operating		**797,310**	778,118
		2,741,072	2,675,721
EARNINGS BEFORE THE FOLLOWING ITEMS		**158,560**	138,529
Provision for United Kingdom pension transfers	21	**33,085**	47,295
Income taxes	13	**47,599**	(2,161)
Non-controlling interests	11	**(2,209)**	7,229
NET EARNINGS		**80,085**	86,166
NET EARNINGS PER COMMON SHARE	14	**$1.69**	$1.82

Consolidated statements of cash flows

Years ended December 31 (in thousands of dollars)	Note	**1999**	1998
CASH FLOWS RELATING TO:			
OPERATING ACTIVITIES			
Net earnings		**80,085**	86,166
Adjustments:			
Change in actuarial and related liabilities		**46,418**	(95,214)
Provisions for loan losses and others		**(5,894)**	(21,212)
Non-controlling interests		**(2,209)**	7,229
Deferred income taxes	13	**20,766**	(21,519)
Depreciation of fixed assets and amortization of goodwill		**28,106**	32,576
Amortization of realized and unrealized deferred net gains on marketable securities		**(63,252)**	(48,660)
Amortization of premiums and discounts on marketable securities and other	10	**(51,765)**	(48,803)
Gain on disposal of portfolio investments		**(25,993)**	(23,122)
Change in accounts receivable		**(149,114)**	(74,983)
Change in accounts payable		**189,933**	137,766
		67,081	(69,776)
FINANCING ACTIVITIES			
Net change in deposits and notes		**(50,837)**	(23,731)
Long-term debt			
Issuance		**2,089**	430
Repayment		**(24,499)**	(136,398)
Capital stock	12		
Issuance		**554**	1,758
Repurchase		**(15,733)**	(270)
Dividends			
Non-controlling interests of subsidiaries		**(3,807)**	(3,868)
Preferred shares		**(10,685)**	(10,667)
Common shares		**(4,897)**	(3,086)
		(107,815)	(175,832)
INVESTING ACTIVITIES			
Acquisitions of marketable securities		**(26,576,989)**	(25,102,459)
Disposals and maturity of marketable securities		**26,447,781**	25,196,295
Acquisitions of real estate investments		**(32,417)**	(22,553)
Disposals of real estate investments		**14,750**	25,748
Net change in loans		**458,459**	397,198
Net change in money market securities of more than three months		**(2,743)**	(31,511)
Decrease in non-controlling interests		**(2,972)**	(35,024)
Other		**(7,863)**	(21,794)
		298,006	405,900
CASH AND CASH EQUIVALENTS			
Increase		**257,272**	160,292
Balance, beginning of year		**508,022**	347,730
Balance, end of year	5	**765,294**	508,022
SUPPLEMENTAL INFORMATION			
Interest paid during the year		**70,359**	89,737
Income taxes paid during the year		**27,650**	43,664

Notes to the consolidated financial statements

For the years ended December 31, 1999 and 1998
(All tabular amounts are in thousands of dollars unless otherwise stated)

Desjardins-Laurentian Financial Corporation (the "Corporation") is a holding company and a member of the Mouvement des caisses Desjardins, which was incorporated under Part IA of the Companies Act of Quebec.

Its principal business activities include life and health insurance, general insurance, trust services, securities brokerage services, institutional portfolio management and asset management.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by Management in accordance with accounting principles generally accepted in Canada.

In preparing the financial statements, Management is required to make estimates and assumptions. In Management's opinion, the financial statements have been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, of which the main ones are as follows: Desjardins-Laurentian Life Assurance, The Imperial Life Assurance Company of Canada, Société de portefeuille du Groupe Desjardins, assurances générales, Desjardins Specialized Financial Services Management, Desjardins Securities, Opvest and Canagex.

Statement of cash flows

Effective January 1, 1999, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to the presentation of cash flow information.

Under the new recommendations, non-cash transactions are excluded from the statement of cash flows and disclosed elsewhere in the financial statements. Cash equivalents are restricted to investments that are readily convertible into a known amount of cash, that are subject to minimal risk of changes in value and which have an original maturity of three months or less.

Cash flows information for the prior year has been restated to conform to the new recommendations. The effect of adopting the new recommendations was to decrease the cash flows from financing activities by $19,389,000 for the year ended December 31, 1999 (decrease by $17,621,000 in 1998) and to decrease the cash flows from investing activities by $2,743,000 for the year ended December 31, 1999 (decrease by $31,511,000 in 1998).

Portfolio investments

Portfolio investments include marketable securities, loans, as well as real estate investments.

Marketable securities

Debt securities representing principally bonds and debentures are carried at cost, net of the amortization of premiums and discounts, and of loan provisions. Gains and losses on the disposal of those investments, as well as any write-downs necessary to reflect other than temporary declines in value, are recognized in earnings immediately, except those of the life and health insurance subsidiaries, which are deferred and charged to earnings using the straight-line amortization method over the remaining term to maturity, to a maximum of 20 years.

Equity securities are carried at cost for common shares and at cost, net of the amortization of premiums and discounts, for preferred shares, except for equity securities held by the life and health insurance subsidiaries, which are carried according to the moving average market method. Gains and losses on the disposal of those investments, as well as any write-downs necessary to reflect other than temporary declines in value, are recognized in earnings immediately. The realized and unrealized gains and losses on equity securities of the life and health insurance subsidiaries are deferred and charged to earnings using the declining balance method at a rate of 15% per annum.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Gains and losses realized on securities held for less than one year for trading purposes which are not matched, are recognized in earnings immediately.

Both debt and equity securities acquired by the securities brokerage subsidiary for resale over the short term are carried at market value and gains and losses are recognized in earnings immediately.

Loans

Loans are stated at their outstanding principal balances, net of the cumulative provision for loan losses. Loans are classified as impaired when, in Management's opinion, there is a reasonable doubt as to the ultimate collectibility of some portion of the principal or interest. When the principal or interest repayment is 90 days past due, interest is no longer accrued, and loans are considered to be impaired unless they are well secured or in the process of recovery. All loans are classified as impaired when payment is in arrears for 180 days. Subsequent payments of interest on impaired loans are applied as earnings only in cases where there is no specific provision and, in Management's opinion, there is no doubt as to the principal recovery. An impaired loan cannot return to an accrual status unless all principal and interest payments are up to date and Management has no doubt as to the recovery of the loan.

The Corporation maintains an account of cumulative provision for loan losses at an amount deemed adequate to absorb probable credit losses of the loan portfolio. Specific provisions are established, loan by loan, as a result of a regular review of the portfolio. These provisions are established by estimating the amounts recoverable in relation to the loan amounts; estimated cash flows are discounted at the effective interest rate inherent in the loan. When these amounts cannot be reasonably estimated, the fair value of the underlying securities or the observable market price of the loans is used to establish the provisions. In addition, general provisions are established to absorb credit risks due to a deterioration in credit quality with regard to the overall risk related to loans for which specific provisions cannot yet be established.

Write-offs are recorded after all restructuring or collection activities have been completed and the possibility of further recovery is considered to be remote.

Properties acquired on foreclosure and held for resale are included in impaired loans at the lower of the carrying value of the loan and its fair market value.

Other loans include advances to policyholders which are recorded at cost and are fully guaranteed by the cash surrender value of the policies on which they have been granted.

Real estate investments

Real estate investments are carried at cost and gains and losses on disposal, as well as any write-downs necessary to reflect other than temporary declines in value, are included in earnings in the year they are realized.

Real estate investments owned by the life and health insurance subsidiaries are carried according to the moving average market method. Their value is appraised based on a three-year cycle by qualified appraisers. Gains and losses on the disposal of those investments are deferred and recorded in earnings using the declining balance method at a rate of 10% per annum. Any decline in value that is other than temporary affecting the whole real estate investment portfolio is immediately charged to earnings for the year.

Cash and money market securities

Cash and money market securities include cash and Treasury bills and are recorded at cost.

Assets purchased under reverse repurchase agreements

The Corporation enters into short-term purchases of securities under agreements to resell (reverse repurchase agreements). These agreements are treated as collateralized lending transactions and are carried on the balance sheet at the amounts at which the securities were initially acquired. Interest earned on reverse repurchase agreements are included in investment income.The Corporation records these securities under "other assets".

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets

Fixed assets are recorded at cost less accumulated depreciation and are depreciated over their estimated useful lives based on the declining balance or straight-line methods. Gains and losses on disposal are included in earnings in the year they are realized.

Goodwill

Goodwill, namely the difference between the cost of acquiring the investment in the subsidiaries and the fair value of the identifiable net assets at the date of acquisition, is amortized on a straight-line basis over periods not exceeding 25 years.

The Corporation assesses on an ongoing basis whether events or circumstances have arisen which could indicate that it is necessary to revise the book value of the goodwill and that this value may not be recoverable. For this purpose, the Corporation assesses the possibility of recovering the goodwill of the life and health subsidiaries based on, among other things, the estimated values of business in force and future business of the operations concerned. For the other subsidiaries, the Corporation uses an estimate of the undiscounted earnings generated by the subsidiary in question over the remaining life of the goodwill to determine the possibility of recovering the goodwill. Any decline that is other than temporary in the amortized value of the goodwill is written off and charged to earnings for the year.

Actuarial and related liabilities

In life and health insurance, actuarial and related liabilities include policy liabilities under life insurance and annuity contracts. Policy liabilities represent the amounts that, together with estimated future premiums and investment income, will provide for all the life and health insurance subsidiaries' commitments under policies in force regarding estimated future benefits, policyholder dividends and related expenses. Policy liabilities are determined using accepted actuarial practice under the policy premium method for life and health insurance. As for pension liabilities, they are determined using cash flow based valuation techniques.

In general insurance, the amounts of unsettled claims are calculated on a discounted basis. Unearned premiums are calculated according to the so-called monthly expiry method.

Income taxes

Income taxes are accounted for using the deferral method of tax allocation, whereby tax related to the transactions is recorded during the year when these transactions are recorded for accounting purposes, regardless of when they are recorded for tax purposes.

The Corporation records deferred income taxes resulting from losses for tax purposes and timing differences under "other assets".

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate prevailing at year end. Non-monetary assets and liabilities are translated at the historical rate. Revenues and expenses are translated at average exchange rates for the year. Gains and losses arising from translation are included in revenues, except those arising from the translation of long-term monetary assets and liabilities. These are deferred and amortized over the remaining life of the asset concerned, other than equity investments of the life and health insurance subsidiaries, which are deferred and amortized at a rate of 15% per annum.

Derivative financial instruments

The Corporation and its subsidiaries use derivative financial instruments to hedge their exposure to interest rates and currencies. When derivative products are used for hedging, the resulting gains and losses are generally deferred and amortized to investment income over the life of the hedged items.

For the life and health insurance subsidiaries, amounts paid in respect of stock index call options are presented in the "marketable securities" section of the balance sheet under "equity securities". The carrying value of these options is calculated using the same method as for shares held by these subsidiaries.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee future benefits

The employees of some of the Corporation's subsidiaries benefit from various defined benefit and defined contribution pension plans. These subsidiaries use the projected benefit method pro rated on years of service and best estimate assumptions to value pension obligations under defined benefit plans. Pension fund assets are valued at market-related values.

Pension expenses consist of the aggregate of (a) the actuarially computed cost of pension benefits provided in respect of the current year's service, (b) imputed interest on the funding excess or deficiency, and (c) the amortization, over the expected average remaining active service life of employees, of the funding excess or deficiency and of any subsequent experience gains or losses. The cumulative excess of pension fund contributions over the amounts recorded as pension expense is reflected in "other assets".

The employees of the Corporation and of certain other subsidiaries are members of the Mouvement des caisses Desjardins' pension plan through a multi-employer defined benefit plan. The Corporation and its subsidiaries also offers to their employees life, medical and dental insurance coverage under the multi-employer group insurance plan of the Mouvement des caisses Desjardins. The employer's contribution to these plans is charged to earnings for the year.

Assets under management and segregated funds

Assets under management as well as segregated funds of life and health insurance subsidiaries are held for the direct beneficial interest of the contract holders and the participants, and are therefore excluded from the consolidated balance sheets.

2. MARKETABLE SECURITIES

Carrying and market values of marketable securities are as follows:

	1999		1998	
	Carrying value	**Market value**	Carrying value	Market value
Debt securities				
Issued or guaranteed by Canada, the provinces, municipalities or school boards	**3,618,944**	**3,629,171**	3,510,581	4,041,260
Other	**998,244**	**1,063,945**	901,746	986,097
	4,617,188	**4,693,116**	4,412,327	5,027,357
Equity securities				
Preferred shares	**194,174**	**185,061**	134,451	132,660
Common shares	**148,679**	**246,985**	206,313	228,608
	342,853	**432,046**	340,764	361,268
	4,960,041	**5,125,162**	4,753,091	5,388,625

As at December 31, 1999, the average maturity of the debt securities portfolio was 14.1 years (12.8 years as at December 31, 1998) and its average effective rate of return was 6.9% (7.0% as at December 31, 1998).

3. LOANS

Loans are distributed as follows:

	1999	1998
Mortgage loans		
Residential	**1,220,175**	1,423,511
Commercial	**1,223,388**	1,417,138
Industrial and commercial loans	**328,061**	340,748
Other	**196,537**	244,313
	2,968,161	3,425,710

As at December 31, 1999, the average maturity of the loan portfolio was 4.6 years (3.8 years as at December 31, 1998) and its average effective rate of return was 7.8% (7.8% as at December 31, 1998).

Loans amounting to $624,075,000 ($550,160,000 as at December 31, 1998) were guaranteed by governments as at December 31, 1999.

Impaired loans are as follows:

	1999				1998			
	Gross loans	**Foreclosed properties**	**Specific provisions(1)**	**Net loans**	Gross loans	Foreclosed properties	Specific provisions(1)	Net loans
Mortgage								
Residential	**21,058**	**2,160**	**(11,799)**	**11,419**	29,144	10,914	(16,156)	23,902
Commercial	**48,192**	**63,394**	**(34,966)**	**76,620**	52,709	72,957	(48,690)	76,976
Industrial and commercial loans	**35,377**	**8,747**	**(28,085)**	**16,039**	45,876	10,667	(39,443)	17,100
Sub-Total	**104,627**	**74,301**	**(74,850)**	**104,078**	127,729	94,538	(104,289)	117,978
General provisions (1)				**(23,094)**				(23,242)
Total				**80,984**				94,736

(1) In addition to its general provisions for loan losses charged against assets, the policy liabilities include a provision for credit losses on currently productive assets of $107,606,000 ($107,635,000 as at December 31, 1998).

The cumulative provision for loan losses is established as follows:

	1999	1998
Balance, beginning of year	**127,531**	195,645
Change in the provision for loan losses reflected in the statements of income	**(910)**	(5,565)
Write-offs	**(28,677)**	(62,549)
Balance, end of year	**97,944**	127,531
Allocation:		
Specific provisions	**74,850**	104,289
General provisions	**23,094**	23,242
	97,944	127,531

Provisions related to foreclosed properties amounted to $42,332,000 as at December 31, 1999 ($57,937,000 as at December 31, 1998).

4. REAL ESTATE INVESTMENTS

As at December 31, 1999, real estate investments had a fair value of $329,781,000 ($303,393,000 as at December 31, 1998).

5. CASH AND MONEY MARKET SECURITIES

Cash and money market securities comprise the following:

	1999	1998
Cash	**70,855**	38,138
Money market securities of less than three months	**694,439**	469,884
Cash and cash equivalents	**765,294**	508,022
Money market securities of more than three months	**174,658**	171,915
	939,952	679,937

6. OTHER ASSETS

Other assets comprise the following:

	1999	1998
Accounts receivable	**690,299**	541,185
Fixed assets	**83,392**	82,029
Goodwill	**109,669**	117,098
Deferred income taxes	**46,703**	58,662
Other	**165,998**	188,982
	1,096,061	987,956

As at December 31, 1999, the accumulated depreciation charged against "fixed assets" totaled $138,832,000 ($152,582,000 as at December 31, 1998).

Depreciation of fixed assets for the year amounted to $20,677,000 ($24,774,000 in 1998) and amortization of goodwill totaled $7,429,000 ($7,802,000 in 1998).

7. ACTUARIAL AND RELATED LIABILITIES

The actuarial and related liabilities are as follows:

	1999	1998
Policy liabilities	**5,660,469**	5,635,982
Unsettled claims	**253,490**	247,193
Unearned premiums	**247,796**	230,340
Amounts on deposit	**264,007**	273,200
Provisions for participating policyholders' dividends and experience refunds	**33,042**	25,671
	6,458,804	6,412,386

7. ACTUARIAL AND RELATED LIABILITIES (continued)

Policy liabilities

- Composition of policy liabilities

Policy liabilities included the following amounts as at December 31:

	1999		1998	
	Policies		Policies	
	Participating	Non-Participating	Participating	Non-Participating
Individual				
Insurance	754,163	926,544	654,232	806,550
Annuities	315,401	1,789,838	360,768	1,896,698
Group				
Insurance	13,297	963,925	11,853	936,164
Pensions	-	1,160,571	-	1,213,231
Gross policy liabilities	1,082,861	4,840,878	1,026,853	4,852,643
Amounts transferred under reinsurance agreements	(33,668)	(229,602)	(15,978)	(227,536)
Net policy liabilities	1,049,193	4,611,276	1,010,875	4,625,107

- Composition of assets hedging policy liabilities

As at December 31, the assets covering the policy liabilities of the life and health insurance companies included the following:

	Bonds	Mortgage loans	Real estate properties	Stocks	Other	Total
1999						
Individual						
Insurance	1,203,023	162,458	16,741	6,199	162,197	1,550,618
Annuities	1,075,354	890,327	164	43,503	69,063	2,078,411
Group						
Insurance	675,509	108,194	69	71,024	16,074	870,870
Pensions	578,893	555,018	1,276	9,957	15,426	1,160,570
	3,532,779	1,715,997	18,250	130,683	262,760	5,660,469
1998						
Individual						
Insurance	1,030,666	192,048	15,259	6,813	111,823	1,356,609
Annuities	1,104,712	993,756	142	35,993	94,747	2,229,350
Group						
Insurance	606,941	145,378	67	72,902	11,504	836,792
Pensions	667,880	513,593	2,131	9,337	20,290	1,213,231
	3,410,199	1,844,775	17,599	125,045	238,364	5,635,982

7. ACTUARIAL AND RELATED LIABILITIES (continued)

- Actuarial assumptions and sensitivity of assumptions to changes

The nature and method of determining the most significant assumptions made by the Corporation's life insurance subsidiaries in the computation of policy liabilities are described in the paragraphs below. The process of determining policy liabilities necessarily involves risks of misestimation (adverse deviation from best estimates) that vary in proportion to the length of the estimation period and the potential volatility of each component. Due to these uncertainties, best estimate assumptions are adjusted by margins for adverse deviation which increase policy liabilities and reduce the amount of income that otherwise would be recognized at inception of the policies. On participating policies, margins for adverse deviation are reduced since adverse experience would result in a reduction in the amount of policyholders' dividends paid. With the passage of time and the resulting reduction in estimation risk, these margins are released to income. If estimates of future conditions change throughout the life of a policy, the present value of those changes is recognized in income immediately. For the Corporation's life and health insurance subsidiaries, the assumptions which are most likely to change in the year are related to policy lapse rates on Term-to-100 life insurance policies and future investment yields.

Mortality and morbidity

Each year, a life insurance mortality study is carried out by the Corporation's life and health insurance subsidiaries. Results are used to adjust the mortality assumption used in the valuation. If the life and health insurance subsidiaries' claims experience cannot serve as a point of reference due to the low volume, the mortality assumption is based on industry studies and tables. Although mortality rates have improved over the years, future improvements in insurance mortality are not taken into account in valuation assumptions.

Annuity assumptions are also based on industry studies and tables, since the life and health insurance subsidiaries' business volume is too low to lend sufficient credibility. Unlike the mortality rate used for insurance, improvements are considered in the mortality rate for annuities in future years.

To calculate morbidity, the Corporation's life and health insurance subsidiaries use industry-developed morbidity tables which they adapt according to current claims experience and claims termination studies for themselves and for the industry.

Policy lapse rates

Although the terms of a policy may call for payment of periodic premiums over the full term of a policy, in practice many policyholders will allow their policy to lapse by choosing not to continue to pay premiums. On some insurance products with surrender value, if the policy lapse rates are higher than expected, and therefore future premiums are lower than originally anticipated, then the per-unit cost of maintaining policies in force could rise above levels assumed in the computation of policy liabilities. On Term-to-100 life insurance, a certain percentage of policies are expected to lapse prior to maturity. If policy lapse rates are lower than expected, aggregate claims will be increased and income will be reduced from anticipated levels. Estimates of future policy lapse rates are based on previous experience for each block of business.

Term-to-100 insurance and level cost-of-insurance universal life contracts established by the Corporation's life and health insurance subsidiaries are sensitive to policy lapse rate fluctuations. Taking into consideration all contracts of all types prepared by these subsidiaries and in force as at December 31, 1999, the capital required to cover the policy lapse risk up to 100% in the calculation of the Minimum Continuing Capital and Surplus Requirements (MCCSR) amounts to approximately $42,000,000 ($38,000,000 in 1998).

7. ACTUARIAL AND RELATED LIABILITIES (continued)

Investment income

The Corporation's life and health insurance subsidiaries manage their investments and commitments by line of business using matching policies appropriate to each product line. The computation of policy liabilities takes into account projected net investment income on assets related to policy liabilities and income expected to be earned or foregone on reinvestment or financing of mismatched cash flows. Uncertainties associated with projections of interest rates at which future cash flows can be reinvested have been taken into account by adjusting current rates downward.

Operating expenses

Amounts are included in policy liabilities to provide for the costs of administering policies in force and include the cost of premium collection, adjudication and processing of claims, periodic actuarial valuations, preparation and mailing of policy statements, related indirect expenses and an appropriate share of overhead. The process of forecasting expenses requires estimates to be made of such factors as inflation, salary rate increases, productivity changes, new business volumes and indirect tax rates. Estimates of future policy administration costs are based on the life and health insurance subsidiaries' current per-unit costs adjusted for the expected rate of inflation.

Participating policyholders' dividends

Policy liabilities include the present value of estimated amounts of future participating policyholders' dividends. The Corporation's life and health insurance subsidiaries set these provisions at levels which policyholders would reasonably expect to receive based on policy illustrations and previous payment patterns.

Other assumptions

It is unlikely that the changes in the other actuarial assumptions will have a significant impact over the near term. The total provision for unfavorable differences included in actuarial provisions amounted to $336,000,000 as at December 31, 1999 ($307,000,000 as at December 31, 1998).

Risk management

In addition to the risks related to actuarial assumptions, the Corporation's life and health insurance subsidiaries are exposed to the following risks:

- Reinsurance risk

To counter the risk related to extensive claims, the Corporation's subsidiaries follow a policy of reinsuring coverage in excess of certain maximums that vary in relation to business line and maintaining catastrophe coverage for losses as high as $125,000,000 per event. In order to limit potential losses, these subsidiaries deal with a number of other registered reinsurers and insurers, all subject to the same regulatory control as the subsidiaries. Reinsurance so ceded does not release the insurer from its obligations towards its policyholders.

- Credit risk

Future net investment income is affected by the magnitude of credit losses from asset defaults. In addition to allowances for impairment applied as reductions to the carrying value of assets, the Corporation's life and health insurance subsidiaries have incorporated provisions for credit losses into their projections of investment income.

7. ACTUARIAL AND RELATED LIABILITIES (continued)

Analysis of changes

Changes in policy liabilities during the year were caused by the following business activities and changes in actuarial estimates:

	1999	1998
Balance, beginning of year	**5,635,982**	5,756,134
Change in actuarial assumptions	**43,675**	20,287
Normal change	**(19,257)**	(135,630)
Impact of new reinsurance treaty	**-**	(15,100)
Other variances	**69**	10,291
Balance, end of year	**5,660,469**	5,635,982

Unsettled claims

The amounts related to reported claims are uncertain since not all the information is available at the reporting date, and consequently the claims cost could increase or decrease thereafter. Moreover, since certain claims are not reported immediately, the value of incurred but unreported claims is estimated at the end of the year. In order to set up the provision adequately, the Corporation's general insurance subsidiaries use assumptions based on characteristics of the lines of business, settlement history and other relevant factors.

8. DEPOSITS AND NOTES

The deposits and notes are as follows:

	1999	1998
Secured deposits	**1,074,597**	1,088,066
Short-term promissory notes	**49,934**	74,644
Collateral notes	**51,892**	64,550
	1,176,423	1,227,260

As at December 31, 1999, secured deposits have an average maturity of 0.8 years (0.8 years as at December 31, 1998) and their average effective rate of return is 4.6% (4.9% as at December 31, 1998). Assets totaling $1,098,118,000 ($1,113,619,000 as at December 31, 1998) are held specifically to secure the deposits of a subsidiary of Desjardins Specialized Financial Services Management.

Short-term promissory notes are issued by a subsidiary of the Corporation in various denominations and for maturities of less than 365 days. This subsidiary is committed to maintain, at all times, sufficient cash, money market securities and unused bank credits to cover the total amount of the outstanding short-term promissory notes. As at December 31, 1999, the cash, money market securities and unused bank credits totaled $92,865,000 ($142,276,000 as at December 31, 1998). They bore interest at an average rate of 4.9% as at December 31, 1999 (5.0% as at December 31, 1998).

Notes in the amount of $51,892,000 ($64,550,000 as at December 31, 1998) are collateralized by an hypothec on all property, rights as well as all present and future assets of another subsidiary of Desjardins Specialized Financial Services Management, and they must respect the conditions of the deed of hypothec and power of attorney. The average maturity of these notes is 3.0 years (3.1 years as at December 31, 1998) and their average effective rate of return was 5.8% as at December 31, 1999 (6.1% as at December 31, 1998).

9. LONG-TERM DEBT

The long-term debt is as follows:

	1999	1998
Desjardins-Laurentian Financial Corporation		
Unsecured promissory notes issued to a company under common control which is also a shareholder of the Corporation, 8.38%, maturing in 2014	33,452	33,452
Desjardins-Laurentian Life Assurance and The Imperial Life Assurance Company of Canada		
Mortgage loans, bearing interest at rates varying from 6.25% to 11.1% and maturing on various dates until 2010	24,855	35,503
Other	2,095	2,607
	26,950	38,110
Desjardins Specialized Financial Services Management		
Unsecured debentures, 10.25%, maturing in 2001	35,000	35,000
Loan from a member entity of the Mouvement Desjardins (1)	-	11,250
	35,000	46,250
	95,402	117,812

(1) This loan beard interest at the cost of funds plus 0.50% if the term was less than one year, 0.75% if the term was more than one year and less than five years, and at the prime rate if the term was on a day-to-day basis (5.63% as at December 31, 1998). The loan had to be repaid from the cash received on a loan to a company under common control.

Interest on the long-term debt amounted to $16,208,000 in 1999 ($23,131,000 in 1998).

The annual principal repayments on the long-term debt for each of the next five years will be as follows:

2000	1,413
2001	36,499
2002	1,595
2003	1,396
2004	1,219
	42,122

Unused credit facilities

In 1998, the Corporation concluded a new agreement with a bank consortium relating to a $200,000,000 revolving credit facility with a maximum term of five years expiring in May 2003, at the rate of bankers' acceptances plus a premium varying from 0.45% to 0.85%. In 1999, the revolving credit facility amount has been reduced to $153,000,000. According to this loan agreement, the Corporation must respect various commitments including maintaining certain pre-determined financial ratios. In addition, the Corporation and certain of its subsidiaries have committed to not pledge or encumber their assets. At December 31, 1999, all commitments were respected.

As at December 31, 1999, the unused amount of the revolving credit facility was $153,000,000. In addition, the Corporation and its subsidiaries have $103,000,000 of unused operating lines of credit as at December 31, 1999.

10. OTHER LIABILITIES

Other liabilities include:

	1999	1998
Accounts payable and other	**837,806**	694,328
Deferred net realized gains on disposal of investments	**469,161**	490,958
	1,306,967	1,185,286

The unamortized balances of the net realized gains on the disposal of investments of the life and health insurance subsidiaries are as follows:

	1999	1998
Debt securities	**400,639**	418,604
Equity securities	**69,736**	73,121
Real estate investments	**(1,214)**	(767)
	469,161	490,958

As for the life and health insurance subsidiaries, the amortization of the deferred net realized gains on the disposal of debt and equity securities and real estate investments, as well as the amortization of the net unrealized gains on the equity securities and real estate investments, totaled $63,252,000 in 1999 ($48,660,000 in 1998).

11. NON-CONTROLLING INTERESTS

Non-controlling interests include:

	1999	1998
Participating policyholders of life and health insurance subsidiaries	**139,289**	147,631
Preferred shareholders of subsidiaries	**52,000**	54,972
Common shareholders of subsidiaries	**21,635**	19,309
	212,924	221,912

Earnings (loss) attributable to non-controlling interests include:

	1999	1998
Earnings (loss) attributable to participating policyholders of life and health insurance subsidiaries	**(8,342)**	1,082
Dividends to preferred shareholders of subsidiaries	**2,546**	2,824
Earnings attributable to common shareholders of subsidiaries	**3,587**	3,323
	(2,209)	7,229

12. CAPITAL STOCK

Authorized:

An unlimited number of shares

Preferred shares:

Class A, non-voting, with a par value of $25, non-cumulative dividend at an annual rate of 6%. Redeemable at the Corporation's option after December 1, 2003 at $25 per share plus declared and unpaid dividends. Convertible into Class A subordinate shares at any time at the holder's option after January 1, 2004 at the higher of $2 per share and 95% of the weighted average price of the Class A subordinate shares on that date. The Corporation may choose to redeem the shares remitted for conversion in cash at $25 per share plus declared and unpaid dividends.

Class B, issuable in one or more series.

Common shares:

Class A subordinate, without par value, participating and entitled to one vote per share.

Class B, without par value, participating and entitled to ten votes per share. Convertible at any time at the holder's option into Class A subordinate shares and automatically converted after February 1, 1994 when the holder or body corporate that exercises ultimate control over the holder ceases to be the beneficial owner or to exercise control, subject to certain exceptions.

Issued and fully paid:

	Number of shares		Amount	
	1999	1998	**1999**	1998
Preferred shares				
Class A	**6,898,389**	6,898,389	**169,460**	168,860
Common shares				
Class A	**8,131,004**	9,068,483	**106,696**	119,342
Class B	**32,151,682**	32,153,093	**425,063**	425,082
	40,282,686	41,221,576	**531,759**	544,424
			701,219	713,284

Class A preferred shares

The Class A preferred shares, which have a par value of $172,460,000, were recorded at a value of $157,260,000 upon their issuance on January 1, 1994 to take into account the discounting of this financial instrument based on a market rate of return. The initial $15,200,000 difference between the par value and the carrying value is being amortized over ten years under a constant-yield method. The amortization of this difference amounted to $600,000 in 1999 and 1998.

Common shares

In 1999, 1,411 Class B shares were converted into 1,411 Class A subordinate shares for a total value of $19,000 while in 1998, 391 shares were converted for a total value of $5,000.

In addition, 61,735 Class A subordinate shares were issued subsequent to the exercise of 61,735 stock options for a total value of $554,000. In 1998, 208,698 Class A subordinate shares were issued for a total value of $1,758,000.

12. CAPITAL STOCK (continued)

On November 17, 1998, the Board of Directors authorized the Corporation to put in place a share repurchase program. Under this program, the Corporation can repurchase, for cancellation, during a twelve month period, a maximal number corresponding to 10% of Class A subordinate issued and in circulation at that date. On November 16, 1999, the Board of Directors has extended this program and authorized the repurchase of a maximum of 822,000 shares for the twelve month period ending November 24, 2000.

During the year, 1,000,625 shares were repurchased under this program for a total consideration of $15,733,000 of which $2,514,000 was charged as a reduction to contributed surplus. In 1998, 15,200 shares were repurchased for a total consideration of $270,000 of which $70,000 was charged as a reduction to contributed surplus.

Stock option plan

The Corporation's stock option plan allows for the granting of options to certain members of the senior Management of the Corporation and its subsidiaries.

Under the plan, options can be granted for a total maximum of 700,000 Class A subordinate shares at a price corresponding to the closing price on the day preceding the date of the grant. The options may be exercised over a maximum period of 10 years.

The options may be exercised gradually over a period of at most four years at a rate of 25% on each anniversary of the date of the grant, on a cumulative basis. As at December 31, 1999, 110,032 options were outstanding (171,767 as at December 31, 1998) at prices varying from $8.50 to $10.00.

The number of options has varied as follows:

	1999	1998
Balance, beginning of year	**171,767**	407,293
Exercised	**(61,735)**	(208,698)
Canceled	**-**	(26,828)
Balance, end of year	**110,032**	171,767

13. INCOME TAXES

Income taxes are as follows:

	1999	1998
Consolidated statement of earnings	**47,599**	(2,161)
Consolidated statement of retained earnings	**337**	319
	47,936	(1,842)

Income taxes include the following amounts:

	1999	1998
Current	**27,170**	19,677
Deferred	**20,766**	(21,519)
	47,936	(1,842)

13. INCOME TAXES (continued)

Consolidated earnings are subject to Canadian income taxes. The effective income tax rate on consolidated earnings will vary each year according to changes in the statutory rate structure. The consolidated provision for income taxes in the consolidated statement of earnings differs from the provision obtained by applying the Canadian statutory rate for the following reasons:

	1999	1998
Income taxes at the Canadian statutory rate	**48,931**	35,472
Income tax variance as the result of:		
Accounting losses for which no tax benefit was recognized	**1,364**	3,937
Previously unrecorded tax benefits	**(8,727)**	(26,492)
Tax-exempt investment income and other non-taxable and non-deductible items, net	**6,031**	(15,078)
	47,599	(2,161)

The Corporation and certain of its subsidiaries have non-capital losses for which no future tax benefit has been recognized in the financial statements. These losses, which may be carried forward and used to reduce future years' taxable income, expire as follows:

2003	8,511
2004	6,193
2005	12,958
2006	4,403
	32,065

Also, timing differences for which no deferred income tax debit has been recognized and amounting to approximately $11,600,000 may be used over an undetermined period.

14. NET EARNINGS PER COMMON SHARE

Net earnings per share attributable to the holders of Class A and B common shares have been computed by dividing the net earnings for the year, after deducting dividends paid to the preferred shareholders and the amortization of the difference between the par value and the carrying value of the preferred shares, by the weighted average number of common shares outstanding during the year of 40,770,103 shares in 1999 and 41,121,895 shares in 1998.

The fully diluted earnings per share attributable to the holders to Class A and B common shares, taking into account the conversion of Class A preferred shares, is $1.49 in 1999 ($1.68 in 1998).

15. PENSION PLANS

Based on the most recent valuations available, on a consolidated basis, pension fund assets of certain subsidiaries of $116,040,000 ($116,003,000 as at December 31, 1998) are $4,128,000 ($12,237,000 as at December 31, 1998) higher than the amount of the actuarial value of the accrued pension benefits under pension plans which totals $111,912,000 ($103,766,000 as at December 31, 1998).

15. PENSION PLANS (continued)

The employees of the Corporation and of certain other subsidiaries benefit from defined benefit pension plans through a multi-employer pension plan of the Mouvement Desjardins. On January 1, 1999, the date of the most recent actuarial valuation, the plan was fully funded.

The Board of Directors of La Confédération des caisses populaires et d'économie Desjardins du Québec has agreed that a portion of the surplus declared by the multi-employer pension plan of the Mouvement Desjardins, that was approximately $136,000,000 as at January 1, 1999 and $264,100,000 as at January 1, 1998, be use, in 1998, as a contribution holiday for all members and employers, and as partial holiday for 1999.

Charges related to pension plans totaled $12,084,000 in 1999 ($1,813,000 in 1998).

16. RELATED PARTY TRANSACTIONS

The Corporation and some of its subsidiaries have concluded transactions with the parent company, the companies under common control as well as with other member entities of the Mouvement Desjardins.

The following table summarizes the related party transactions with these entities:

	1999		1998	
	Revenues	**Expenses**	Revenues	Expenses
Parent company and companies under common control	**25,056**	**8,088**	7,599	43,234
Other member entities of the Mouvement Desjardins	**91,723**	**61,759**	90,121	59,386
	116,779	**69,847**	97,720	102,620

These transactions include income from the sale of life insurance products, general insurance and trust services as well as investment income. Expenses mainly comprise interest, rent and administration and management fees paid to the Desjardins caisses network for the distribution of the financial products and services of the Corporation's subsidiaries.

These transactions are carried out in the normal course of business and are valued at the exchange value, which is the amount of consideration agreed to and accepted by the related parties.

The related party balances included on the consolidated balance sheets as at December 31 are as follows:

	1999		1998	
	Assets	**Liabilities**	Assets	Liabilities
Parent company and companies under common control	**7,353**	**49,899**	102,252	38,673
Other member entities of the Mouvement Desjardins	**183,318**	**28,537**	277,899	36,672
	190,671	**78,436**	380,151	75,345

These assets primarily include cash and money market securities. As at December 31, 1998, they also included an amount receivable from a company under common control of $93,224,000. Liabilities comprise long-term debt, deposits and notes.

16. RELATED PARTY TRANSACTIONS (continued)

On December 31, 1999, a subsidiary of Desjardins Specialized Financial Services Management (DSFSM) acquired, with the approval of the Inspector General of Financial Institutions of Quebec, the totality of the shares of the two subsidiaries of La Société d'administration d'actifs commerciaux Desjardins inc., which is a holding corporation of La Confédération des caisses populaires et d'économie Desjardins du Québec. This related company transaction produced a substantive change in the ownership interests. The transaction was concluded at a nominal exchange amount that was appraised by an independent party. The two subsidiaries were thereafter dissolved and their assets and liabilities were accounted for in the DSFSM subsidiary's books. The net asset value acquired at exchange value includes $25,700,000 in loans, $400,000 in other assets, $26,000,000 in debts to an other subsidiary of DSFSM and $100,000 of other liabilities.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS ON THE BALANCE SHEETS

The amounts indicated below reflect the fair value and the carrying amount of financial instruments recorded on the Corporation's balance sheets, calculated according to the valuation methods and assumptions described below.

Although the fair value is intended to reflect the estimated amounts against which instruments may be actually exchanged in connection with a transaction between contracting parties, many of the Corporation's financial instruments have no market. Thus, they were attributed a value which takes into account the increases or decreases in interest rates and market rates, as well as the portfolio's credit risk since the issuance of these instruments.

Sensitivity to interest rates is the main cause for the fluctuation in the fair value of the Corporation's financial instruments. The carrying amount of most financial instruments of the Corporation is not adjusted to take into account the increases and decreases in the fair value related to interest rate fluctuations since the Corporation's intention is to realize the value of these instruments over time by keeping them until maturity.

The estimated fair value of financial instruments as at December 31 is as follows:

	1999		1998	
	Carrying value	**Fair value**	Carrying value	Fair value
ASSETS				
Marketable securities	**4,960,041**	**5,125,162**	4,753,091	5,388,625
Loans	**2,968,161**	**2,943,648**	3,425,710	3,508,253
Cash and money market securities	**939,952**	**940,047**	679,937	682,099
Other assets	**773,512**	**773,589**	618,293	618,293
	9,641,666	**9,782,446**	9,477,031	10,197,270
LIABILITIES				
Actuarial and related liabilities	**6,458,804**	**6,584,194**	6,412,386	6,910,294
Deposits and notes	**1,176,423**	**1,174,848**	1,227,260	1,241,492
Long-term debt	**95,402**	**98,563**	117,812	127,846
Other liabilities	**803,862**	**808,738**	707,566	705,520
	8,534,491	**8,666,343**	8,465,024	8,985,152

17. FAIR VALUE OF FINANCIAL INSTRUMENTS ON THE BALANCE SHEETS (continued)

The following methods and assumptions have been used to determine the estimated fair value of financial instruments on the balance sheets:

Financial instruments at carrying value

The estimated fair value of certain financial instruments recorded on the balance sheet is equal to their carrying value because they are short-term items. These financial instruments include cash and other financial instruments mainly recorded under "other assets and liabilities".

Loans

The fair value of loans is estimated by discounting cash flows at the market rates for loans with a similar credit risk as at December 31, applied to the expected amounts at maturity. For certain loans at variable rates whose rates are frequently adjusted, the estimated fair value is presumed to correspond to their carrying value. For impaired loans, the fair value is equal to the carrying value in accordance with the valuation methods described in note 1.

Money market securities

The estimated fair value is determined based on market rates, when they are available. If such rates are not known, the estimated fair value is calculated using the market rates for similar money market securities.

Marketable securities

The estimated fair value of debt and equity securities is set out in note 2 to the consolidated financial statements. The estimated fair value is established using market rates when they are available. In the absence of such rates, it is determined using market rates for similar bonds and equity securities.

Deposits and notes

The fair value of deposits whose maturity is not fixed is presumed to correspond to their carrying value. The estimated fair value of fixed-rate deposits is established by discounting contractual cash flows at the interest rates in effect on the market for deposits with similar conditions and risks.

The estimated fair value of fixed-rate notes is determined by discounting the contractual cash flows, at the interest rates in effect on the market for notes with similar conditions and risks.

Actuarial and related liabilities

The fair value of policy liabilities is based on the fair value of related assets hedging them given the interrelationship existing between these two balance sheet items.

Long-term debt

The estimated fair value of debentures is based on market rates as at December 31.

The estimated fair value of other loans is established by discounting the contractual cash flows at the interest rates in effect on the market for loans with similar conditions and risks.

18. DERIVATIVE FINANCIAL INSTRUMENTS AND CREDIT INSTRUMENTS

In the normal course of business, various agreements related to credit and various derivative product agreements were entered into to manage the risks related to interest rate and foreign exchange fluctuations.

All off-balance sheet financial instruments are subject to the usual standards related to credit, financial controls and risk management and control procedures. In Management's opinion, these transactions do not represent an unusual risk and no material loss is foreseen.

Credit instruments

Credit instruments are additional means of financing in the form of off-balance sheet products such as credit commitments and securities lending.

18. DERIVATIVE FINANCIAL INSTRUMENTS AND CREDIT INSTRUMENTS (continued)

Credit commitments represent the unused amounts of credit authorizations given in the form of loans, guarantees or letters of credit. With respect to the credit risk related to its credit commitments, the Corporation is subject to a contingent risk of an amount equal to the total unused commitments. However, most credit commitments depend on the clients' respecting well-established credit standards. Insofar as these instruments reach maturity or are not used in full, the credit risks of these instruments are lower than the contractual amounts.

In transactions related to securities lending, the Corporation acts as agent for the holder of a marketable security who agreed to lend the marketable security to a borrower for a commission according to a pre-determined contract. The borrower must, at all times, guarantee the loan of the security (collateralized by marketable securities usually issued by the federal and provincial governments). There is a possibility of a loss if the borrower defaults and the value of the collateral security is not sufficient to cover the amount of the loan. The credit risk related to these transactions is considered to be minimal since the Corporation only deals with recognized stock brokerages and financial institutions as borrowers. In addition, the borrower grants a charge on all securities of a value equivalent to 105% of the amount of the loan adjusted on a daily basis.

	Contractual amount	
	1999	1998
Credit commitments	**20,710**	21,435
Securities lending	**4,069,727**	4,046,580
	4,090,437	4,068,015

Derivative financial instruments

The Corporation uses derivative financial instruments including interest rate and foreign exchange swaps, cross-currency interest rate swaps, forward exchange contracts, stock index call options, bond options and interest rate cap agreements. Those are financial contracts with a value depending on interest rates and market prices. They are financial contracts whose value depends on the interest rates and the value of foreign currencies. The use of derivatives allows the transfer, modification and reduction of current or expected risks, including interest rate risks, foreign exchange risks and other market risks. Derivative financial instruments are used by the Corporation to manage its interest and foreign exchange rate risks. The Corporation does not enter into these contracts to obtain trading gains. Transactions are entered into with approved counterparties for which the Corporation maintains limits based on credit quality and structure.

The following table provides an overview of the derivative financial instruments portfolio and related credit risk, as at December 31.

(in millions of dollars)	**1999**			1998		
	Gross notional amount	**Fair value**	**Credit risk amount**	Gross notional amount	Fair value	Credit risk amount
Interest rate swaps	**1,919**	**22**	**23**	622	2	5
Foreign exchange swaps	**285**	**(10)**	**4**	204	(25)	-
Cross-currency interest rate swaps	**10**	**-**	**-**	10	(1)	-
Forward exchange contracts	**76**	**-**	**-**	3	-	-
Options						
Stock index calls	**647**	**71**	**71**	391	47	47
Bonds	**119**	**(3)**	**-**	-	-	-
Interest rate cap agreements	**55**	**-**	**-**	-	-	-
	3,111	**80**	**98**	1,230	23	52

18. DERIVATIVE FINANCIAL INSTRUMENTS AND CREDIT INSTRUMENTS (continued)

As at December 31, 1999, the carrying value of stock index call options had a credit balance of $7,797,000. As at December 31, 1998, the carrying value of stock index call options had a debit balance of $36,652,000.

All derivatives are entered into with financial institutions of which $63,064,000 was with an entity in the Mouvement Desjardins as at December 31, 1999 ($114,007,000 as at December 31, 1998).

Gross notional amount

The gross notional amount is the amount to which a rate or price is applied to calculate the exchange of cash flows.

Fair value

The fair value of the derivatives products was estimated based on the quoted market prices for contracts with similar terms and credit risks. The fair value reflects the estimated amount that the Corporation could receive or might have to pay to cancel the contracts as at December 31.

Credit risk

The amount of credit risk is the risk of financial loss the Corporation is assuming in the event a counterparty fails to honor its commitments.

The maturities on the gross notional amount of derivative financial instruments are as follows:

(in millions of dollars)	**1999**				1998			
	Gross notional amount				Gross notional amount			
	Under 1 year	**1 to 5 years**	**Over 5 years**	**Total**	Under 1 year	1 to 5 years	Over 5 years	Total
Interest rate swaps	**1,302**	**592**	**25**	**1,919**	366	187	69	622
Foreign exchange swaps	**-**	**26**	**259**	**285**	-	26	178	204
Cross-currency interest rate swaps	**-**	**10**	**-**	**10**	-	10	-	10
Forward exchange contracts	**76**	**-**	**-**	**76**	3	-	-	3
Options								
Stock index calls	**116**	**253**	**278**	**647**	-	104	287	391
Bonds	**31**	**-**	**88**	**119**	-	-	-	-
Interest rate cap agreements	**-**	**55**	**-**	**55**	-	-	-	-
	1,525	**936**	**650**	**3,111**	369	327	534	1,230

19. INTEREST RATE RISK

In the normal course of business, certain subsidiaries of the Corporation are exposed to risks of fluctuations in interest rates. Unmatched cash flows related to assets and liabilities require reinvestments or disposals in possibly less than favorable economic situations. To manage this risk, the subsidiaries have adopted a policy of matching assets and liabilities which clearly defines acceptable differences. They regularly carry out a rigorous review of compliance with this policy.

One of the criteria for testing is the difference between the timing of liabilities and the term of assets backing them. The timing measures the sensitivity of the market value of assets and liabilities to changes related to interest rates. Each subsidiary controls its own matching situation.

The impact of an immediate 1% decrease or increase in interest rates will not have any material impact for the Corporation and its subsidiaries.

20. COMMITMENTS

The Corporation and its subsidiaries have entered into operating leases for certain office premises, as well as computer and other equipment. The leases cover periods generally not exceeding 20 years, and it is expected that most will be renewed or replaced in the normal course of business. Future minimum lease payments are as follows:

2000	48,222
2001	35,418
2002	32,791
2003	31,759
2004	15,069
Thereafter	26,055
	189,314

These include commitments to a member entity of the Mouvement Desjardins under long-term leases for office space and computer equipment of $55,555,000 until the leases expire. Annual payments over the next five years are $9,028,000 in 2000, $8,808,000 in 2001, $8,572,000 in 2002, $8,594,000 in 2003 and $8,653,000 in 2004.

21. CONTINGENCIES

Further to the sale in 1995 of a foreign subsidiary operating in the United Kingdom ("UK"), one of the Corporation's subsidiaries provided certain guarantees to the acquiring company pertaining primarily to potential compensation for policyholders who purchased personal pension plans as well as to the settlement of claims that might result in litigation. These guarantees remained in effect until September 30, 1998. However, the settlement of many of these claims is still unfolding. The measurement of the liability potentially payable in respect of these claims entails significant uncertainty due to the fact that all data required to calculate the value of each policyholder's claims is not yet available to the Corporation's subsidiary. Also, payment amounts will be dependent upon future industry-wide patterns of settlement and future economic conditions. In 1999, the Corporation and its subsidiary increased their provision related to these guarantees by $38,100,000 due to changes in industry guidelines and experience and by $62,295,000 in 1998 as a result of the confirmation by the UK authorities of a Phase 2. Non-controlling interests' share of these provisions amounts to $9,000,000 and $15,100,000 in 1999 and 1998 respectively. However, the impact on earnings is reduced by the reversal of provisions of $5,000,000 in 1999 and of $15,000,000 in 1998 established in 1994 on acquisition of the Laurentian Group. Management considers that adequate provision have been made to meet these claims based on current information and industry-wide settlement formulas.

A subsidiary of the Corporation, together with another company of the Mouvement Desjardins, is the subject of a lawsuit filed in March 1993 seeking damages in the amount of $47,848,000 in connection with the sale of condominium units in a project outside Canada. The subsidiary is actively contesting this suit and, despite the very preliminary stage of the proceedings, the subsidiary's legal counsel is, in light of the information currently available, optimistic about the chances of this lawsuit being rejected. Consequently, no provision has been recorded in the books.

Over the past several years, legal actions have been filed against a number of insurance companies operating in North America related to the sale of life insurance policies on a vanishing premium basis. One of the Corporation's subsidiaries is a named defendant in one such class action suit. The existing case is in the early stages and, accordingly, the Corporation is not able to make a conclusive assessment of the probable outcome of such litigation.

In the normal course of business, the subsidiaries of the Corporation are currently engaged in various lawsuits. In Management's opinion, the total amount of the potential liability resulting from these lawsuits is not material.

22. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Corporation, including those related to customers, suppliers, or other third parties, have been fully resolved.

23. SEGMENTED INFORMATION

The Corporation operates commercially mainly in four business segments. Each business segment offers different products and services, requires marketing strategies that are distinct and are headed by a president. The commercial activities of the different segments take place primarily in Canada.

The life and health insurance segment offers primarily insurance services and single or group annuities. The general insurance segment offers primarily insurance products such as automobile insurance and home insurance to individuals and businesses, as well as group insurance. The trust services segment offers financial and specialized fiduciary services relating to wealth management and administration such as investment funds, private banking, group savings plans as well as the administration and safekeeping of securities. The brokerage segment offers full-service and discount brokerage services. The "other" segment includes activities related to institutional portfolio management, assets management as well as the holding corporation's activities.

The accounting policies of the business segments are the same as those described in note 1 relating to significant accounting policies. The Corporation measures the performance of the segments based on their net earnings.

Segmented information is presented in the table on the next page.

23. SEGMENTED INFORMATION (continued)

BUSINESS SEGMENTS

	Life and health insurance	General insurance	Trust services	Securities brokerage	Other	Eliminations and reclas-sifications	Consolidated
1999							
Revenues	**2,119,461**	**514,638**	**162,211**	**71,082**	**61,080**	**(28,840)**	**2,899,632**
Interest and investment income (included above)	**605,847**	**49,445**	**81,111**	**9,570**	**7,551**	**(2,572)**	**750,952**
Interest expense	**4,592**	**-**	**60,540**	**34**	**3,840**	**(2,734)**	**66,272**
Earnings before income taxes and non-controlling interests	**33,149**	**57,054**	**14,804**	**6,165**	**14,303**	**-**	**125,475**
Income taxes	**22,021**	**19,884**	**1,473**	**2,463**	**1,758**	**-**	**47,599**
Net earnings	**17,577**	**34,193**	**12,068**	**3,702**	**12,545**	**-**	**80,085**
Identifiable segment assets	**7,679,205**	**709,379**	**1,334,320**	**456,803**	**143,645**	**(10,534)**	**10,312,818**
1998							
Revenues	2,090,350	478,342	165,433	62,118	41,092	(23,085)	2,814,250
Interest and investment income (included above)	582,470	47,265	90,350	5,849	10,009	(2,752)	733,191
Interest expense	2,420	-	68,507	41	9,435	(2,992)	77,411
Earnings before income taxes and non-controlling interests	13,175	46,482	5,001	5,897	20,679	-	91,234
Income taxes	(15,734)	11,255	(1,646)	2,086	1,878	-	(2,161)
Net earnings	25,954	32,360	5,345	3,811	18,696	-	86,166
Identifiable segment assets	7,709,440	647,210	1,394,822	332,689	105,209	(11,740)	10,177,630

Financial retrospective

As at December 31 (in thousands of dollars, unless otherwise stated)	**1999**	1998	1997	1996	1995
CONSOLIDATED					
Net earnings					
Continuing operations	**80,085**	86,166	80,421	56,082	52,135
Discontinued operations	**–**	–	13,001	20,463	33,720
	80,085	86,166	93,422	76,545	85,855
Return on equity					
Continuing operations	**7.9%**	9.3%	9.5%	6.8%	6.0 %
Including discontinued operations	**7.9%**	9.3%	11.3%	9.9%	10.9 %
Common shareholders' equity	**892,838**	844,114	770,813	697,687	714,751
Average number of common shares outstanding	**40,770,103**	41,121,895	40,980,379	40,968,078	40,968,078
Total assets	**10,312,818**	10,177,630	10,316,199	22,936,352	23,407,719
CONTINUING OPERATIONS					
Revenues	**2,899,632**	2,814,250	3,025,526	2,765,466	2,917,897
Assets	**10,312 818**	10,177,630	10,316,199	11,437,027	10,663,588
Assets under management	**11,525,125**	11,647,414	11,036,030	10,278,766	8,885,955
Assets under administration	**136,222,963**	118,840,246	115,803,472	104,689,380	57,484,774
PER COMMON SHARE					
Net earnings					
Continuing operations	**$1.69**	$1.82	$1.69	$1.10	$1.02
Discontinued operations	**–**	–	$0.32	$0.50	$0.82
	$1.69	$1.82	$2.01	$1.60	$1.84
Net book value	**$22.16**	$20.48	$18.79	$17.03	$17.45
Share price					
High	**$18.00**	$25.80	$27.00	$11.00	$8.38
Low	**$12.50**	$13.50	$9.70	$7.63	$4.90
Close	**$14.00**	$18.25	$24.25	$10.00	$8.13
Price / net book value	**63.2%**	89.1%	129.1%	58.7%	46.6%
CONTRIBUTION TO EARNINGS FROM CONTINUING OPERATIONS					
Life and health insurance	**17,577**	25,954	42,854	42,159	58,064
General insurance	**34,193**	32,360	33,671	31,481	34,579
Trust services	**12,068**	5,345	1,857	203	100
Securities brokerage	**3,702**	3,811	6,636	6,763	(1,313)
Institutional portfolio management	**1,200**	1,547	1,740	663	692
Asset management	**199**	–	–	–	–
Holding company	**11,146**	17,149	(6,337)	(25,187)	(39,987)
	80,085	86,166	80,421	56,082	52,135

Quarterly financial data

Quater ended (in thousands of dollars, unless otherwise stated) **1999**	**Dec. 31**	**Sept. 30**	**June 30**	**March 31**
CONSOLIDATED				
Net earnings	**8,056**	**26,283**	**28,579**	**17,167**
Return on equity (annualized)	**2.2%**	**10.7%**	**12.0%**	**6.8%**
Revenues	**774,719**	**712,294**	**676,345**	**736,274**
PER COMMON SHARE				
Net earnings	**$0.13**	**$0.58**	**$0.63**	**$0.35**
Book value	**$22.16**	**$22.02**	**$21.43**	**$20.81**
CONTRIBUTION TO EARNINGS FROM CONTINUING OPERATIONS				
Life and health insurance	**(3,179)**	**4,166**	**8,854**	**7,736**
General insurance	**6,556**	**9,816**	**12,839**	**4,982**
Trust services	**1,848**	**3,728**	**3,866**	**2,626**
Securities brokerage	**1,170**	**748**	**1,092**	**692**
Institutional portfolio management	**(17)**	**387**	**459**	**371**
Asset management	**199**	**–**	**–**	**–**
Holding company	**1,479**	**7,438**	**1,469**	**760**
	8,056	**26,283**	**28,579**	**17,167**

1998	Dec. 31	Sept. 30	June 30	March 31
CONSOLIDATED				
Net earnings	19,645	21,976	28,850	15,695
Return on equity (annualized)	8.1%	9.4%	13.1%	6.7%
Revenues	750,520	672,694	679,861	711,175
PER COMMON SHARE				
Net earnings	$0.39	$0.47	$0.64	$0.32
Book value	$20.48	$20.16	$19.71	$19.08
CONTRIBUTION TO EARNINGS FROM CONTINUING OPERATIONS				
Life and health insurance	583	4,629	10,075	10,667
General insurance	1,663	12,723	14,781	3,193
Trust services	1,960	1,136	1,202	1,047
Securities brokerage	(60)	768	1,916	1,187
Institutional portfolio management	469	380	353	345
Holding company	15,030	2,340	523	(744)
	19,645	21,976	28,850	15,695

Statistical review Subsidiary companies

As at December 31 (in thousands of dollars, unless otherwise stated)	**1999**	1998	1997	1996	1995
LIFE AND HEALTH INSURANCE SECTOR					
Desjardins-Laurentienne Life insurance and The Imperial Life Assurance Company of Canada (cumulative data)					
In-force life business (insured capital)	**112,769,854**	110,351,711	111,335,456	109,430,968	108,046,265
In-force annuities contracts (funds held)	**3,310,664**	3,528,320	3,836,877	4,172,151	4,254,635
Return on equity (1)	**3.1%**	2.5%	10.9%	7.1%	8.5%
SOCIÉTÉ DE PORTEFEUILLE DU GROUPE DESJARDINS, ASSURANCES GÉNÉRALES					
Gross premiums written	**511,675**	482,754	437,991	420,021	396,604
Growth in number of in-force policies	**3.0%**	3.4%	3.9%	6.8%	8.1%
Combined ratio	**98.2%**	100%	97.2%	97.7%	93.2%
Return on equity	**14.3%**	14.9%	17.2%	16.8%	21.0%
DESJARDINS SPECIALIZED FINANCIAL SERVICES MANAGEMENT					
Fee income	**81,100**	75,083	64,916	51,433	46,449
Mutual funds outstanding	**4,116,800**	3,754,543	2,768,301	1,351,584	810,406
Loans outstanding	**750,200**	908,100	1,136,245	1,295,197	1,555,792
Return on equity	**46.3%**	28.8%	21.4 %	4.3%	3.3%
Assets under administration	**133,639,972**	118,048,204	115,517,505	105,353,140	58,631,966
DESJARDINS SECURITIES					
Average commission	**$94.90**	$131.76	$143.75	$127.47	$104.01
Number of clients	**167,138**	153,105	130,436	96 504	67,461
Number of brokers and representatives	**187**	168	150	130	109
Return on equity	**14.6%**	16.4%	33.1%	49.2%	–
Assets under administration	**5,985,900**	4,280,660	3,436,465	2,432,192	1,497,164
CANAGEX					
Fee income	**19,134**	17,088	15,582	12,879	11,470
Assets under administration	**11,476,405**	11,679,870	10,498,009	9,974,692	8,731,965

(1) Return on continuing operations

Glossary of financial terms

Assets under administration and assets under management
Assets that are administered or managed by a company whose owner-beneficiaries are its clients. Consequently, these assets are not recorded on the company's balance sheet. Services provided in respect of assets under administration are of an administrative nature, such as custodial services, recovery of investment income and settlement of purchase and sale transactions, whereas services provided in respect of assets under management include selecting investments and providing investment advisory services. Assets under management can also be administered by the company.

Claims experience
In general insurance, the cost of claims expressed as a percentage of net premiums earned.

Combined ratio
In general insurance, total claims and operating expenses as a percentage of net premiums earned.

Forward exchange contract
A type of derivative financial instrument constituting a commitment to buy or sell a fixed amount of currency at a future specified date and according to a set rate of exchange.

Gross premiums written
In general insurance, premiums stipulated in insurance contracts entered into during the year.

Interest rate caps
Interest rape caps are option contracts on interest-rate differences, negotiated by mutual agreement, wherein a cap on the interest rate is pre-determined and which, by the payment of a premium to the vendor, gives the purchaser the right to receive, and the vendor the obligation to pay, at each reference period, the difference in interest between the variable reference rate and the cap set in the contract, if that rate is lower.

Morbidity rate
In life and health insurance, likelihood that a person of a given age will suffer from an illness or infirmity.

Moving average market method
In life and health insurance, method that reflects changes in market values of portfolio investments in the balance sheet and income statement over a period of years.

Net premiums earned
In general insurance, premiums earned based on the amount of time elapsed, net of reinsurance premiums.

Participating policy
In life and health insurance, policy entitling the holder to share in the operating income of the company which issued the policy.

Policy premium method
In life and health insurance, a method of computing actuarial liabilities which uses the full amount of the premiums stipulated in the related insurance policies and the estimated related expenses and obligations such that the net present value of these elements, after providing for the provision for adverse deviations, is recognized in income when the policies are issued.

Reinsurance agreement
An agreement whereby one insurer assumes all or part of a risk undertaken by another insurer. The original insurer remains fully liable to policyholders for the insurance obligations.

Segregated funds
In life and health insurance, funds held and administered separately from the general funds pursuant to contracts providing that the amount of benefits will be directly dependent upon the market value of investments. Investments are made for the exclusive benefit of policyholders.

Stock index call option
A type of derivative financial instrument composed of an option whose underlying instrument is an index representative of a series of securities listed on a stock exchange.

Swap
A type of derivative financial instrument whereby two parties agree to exchange currencies or interest rates for a set period according to a predetermined rate.

Underwriting experience
In life and health insurance, variance between actual results and the actuarial assumptions used in establishing the premium or the policy liabilities, as applicable.

Underwriting profit
In general insurance, profit earned on insurance operations before investment income.

Directors

Desjardins-Laurentian Financial Corporation

1 Complexe Desjardins
P.O. Box 10500, Desjardins Station
Montreal, Quebec
H5B 1J1
Tel.: (514) 281-7063
Fax: (514) 281-7110

Directors as at December 31, 1999

Allan L. Beattie (2)
Toronto, Ontario

Claude Béland (1) (3) (5)
Chairman of the Board
Town of Mount-Royal, Quebec

Jacques Bergeron (2)
Laval, Quebec

François Brien (2)
Amos, Quebec

Simon Caron
Saint-Louis-du-Ha!-Ha!, Quebec

Alain Ferland (2) (3) (4)
Outremont, Quebec

Raymond Gagné (1)
Gaspé, Quebec

Pierre Gingras (2)
Sainte-Pétronille, Quebec

André Lachapelle (6)
Saint-Jacques, Quebec

Madeleine Lapierre
Rougemont, Quebec

Pierre Laurin (1) (2) (3)
Verdun, Quebec

Olivier Lavoie (4)
Hébertville, Quebec

Suzanne Maisonneuve-Benoît
Sainte-Foy, Quebec

Gilles Mignault (4)
Anjou, Quebec

Bruno Morin (2)
Brossard, Quebec

Robert O'Farrell (1) (6)
Trois-Rivières, Quebec

Michel Parent
Saint-Charles-sur-Richelieu, Quebec

Jean Perron (4) (5)
Montreal, Quebec

Jocelyn Proteau (1) (3) (5)
Île-Bizard, Quebec

Michel Rouleau (1) (3) (5) (6)
Sainte-Marie-Beauce, Quebec

André Roy
Waterville, Quebec

Yvon Sabourin
Hull, Quebec

André Shatskoff
Lachenaie-Ouest, Quebec

Pierre Tardif (6)
Longueuil, Quebec

Michel Thérien (1) (3)
Saint-Lambert, Quebec

Clément Trottier (4)
Cap-de-la-Madeleine, Quebec

Directors having stepped down in 1999

Pierre Barnès
Régis Robin
Richard Robinson

(1) Member of the Executive Committee
(2) Member of the Audit Committee
(3) Member of the Strategic Planning and Business Development Committee
(4) Member of the Ethics Committee
(5) Member of the Human Resources Committee
(6) Member of the Investment Committee

Desjardins-Laurentian Life Assurance

200, avenue des Commandeurs
Lévis, Quebec
G6V 6R2
Tel: (418) 838-7870
Fax: (418) 833-0529

Directors as at December 31, 1999

Lucien Caouette
Lac-Beauport, Quebec

Léonard Deschamps
Montreal, Quebec

Antonin Gagné
Jonquière, Quebec

François Joly
Laval, Quebec

Daniel Lafontaine
Nicolet, Quebec

Yves Léonard
Sainte-Agathe-des-Monts, Quebec

Guy Martel
Brossard, Quebec

Claudette Mercier
Ascot Corner, Quebec

Michel Nadeau
Cap-aux-Meules, Quebec

Julien Paré
East Broughton, Quebec

Céline Perron
Sillery, Quebec

Bernard Racicot
Mont Saint-Hilaire, Quebec

Michel Rouleau
Chairman of the Board
Sainte-Marie-Beauce, Quebec

Gérard Sévigny
Dupuy, Quebec

Jean-Marc Spencer
Sudbury, Ontario

Jacques Sylvestre
Saint-Hyacinthe, Quebec

Ronald Thériault
Saint-Ambroise-de-Kildare, Quebec

Michel Tourangeau
Montreal, Quebec

Lise Verreault
Matane, Quebec

Directors having stepped down in 1999

Michel Bélisle
Normand Collet
Claude Désilets
Raymond Hainse
André Harrison
Marc Juneau
Réjean Maltais

The Imperial Life Assurance Company of Canada

95 St. Clair Avenue West
Toronto, Ontario
M4V 1N7
Tel.: (416) 926-2600
Fax: (416) 324-7811

Directors as at December 31, 1999

Allan L. Beattie
Toronto, Ontario

John G. McD. Brown
Wolfville, Nova Scotia

Paul E. Garfinkel
Toronto, Ontario

Michael C. Howlett
Toronto, Ontario

S. Ross King
Winnipeg, Manitoba

Pierre L. Lambert
Laval, Quebec

Charles B. Matheson
Montreal, Quebec

William G. Munro
Toronto, Ontario

Robert O'Farrell
Chairman of the Board
Trois-Rivières, Quebec

Marcel Pepin
Saint-Jean-Chrysostome, Quebec

Pierre Rousseau
Longueuil, Quebec

Marie Taylor
Burnaby, British Columbia

Michel Thérien
Saint-Lambert, Quebec

Directors having stepped down in 1999

Gilles Douville
Yvon Lamarre

Corporate governance

DLFC's corporate governance practices are described in the Management Proxy Circular dated April 14, 2000. Copies of this document can be obtained by contacting DLFC's Corporate Secretary.

Canagex

Stock Exchange Tower
800 Victoria Square
Suite 4500
Montreal, Quebec
H4Z 1C3
Tel.: (514) 954-3300
Fax: (514) 395-8752

Directors as at December 31, 1999

Lucien Caouette
Lac-Beauport, Quebec

Léonard Deschamps
Montreal, Quebec

Jacques V. Goyer
Town of Mount-Royal, Quebec

Yves Léonard
Sainte-Agathe-des-Monts, Quebec

Richard Neault
Brossard, Quebec

Michel Rouleau
Chairman of the Board
Sainte-Marie-Beauce, Quebec

Jacques Sylvestre
Saint-Hyacinthe, Quebec

Ronald Thériault
Saint-Ambroise-de-Kildare, Quebec

Directors having stepped down in 1999

Robert Ciamarro
Claude Désilets
Michel Thérien

Société de portefeuille du Groupe Desjardins, assurances générales

6300, boul. de la Rive-Sud
P.O. Box 3500
Lévis, Quebec
G6V 6P9
Tel: (418) 835-4850
Fax: (418) 835-5599

Directors as at December 31, 1999

Bernard Beauregard
Pointe-aux-Trembles, Quebec

Annie P. Bélanger
Grande-Vallée, Quebec

Félix Bergeron
Granby, Quebec

Christiane Bouillé
Montmagny, Quebec

Pierre A. Bourdeau
Saint-Rémi, Quebec

Jean Brassard
Saint-Irénée, Quebec

Jean J. Brossard
Saint-Adolphe-d'Howard, Quebec

Jean-Pierre Desmeules
Saint-Bruno, Quebec

Marcelin Grenier
Fabre, Quebec

Jean-Robert Laporte
Saint-Charles-Borromée, Quebec

Paul-André Lavoie
Rimouski, Quebec

Simon Lemay
Saint-Cyrille-de-Wendover, Quebec

Michel Lucas
Strasbourg, France

Jude Martineau
Cap-Rouge, Quebec

Gabriel Morin
Magog, Quebec

Normand Provençal
Rivière-du-Loup, Quebec

Jean-Guy Rivard
Lebel-sur-Quévillon, Quebec

Pierre Tardif
Chairman of the Board
Longueuil, Quebec

Richard Tassé
Sainte-Julie, Quebec

Yvon Vinet
Coteau-du-Lac, Quebec

Directors having stepped down in 1999

Gilles Castonguay
André Fortin
Roger Martin

Desjardins Specialized Financial Services Management

1 Complexe Desjardins
P.O. Box 34, Desjardins Station
Montreal, Quebec
H5B 1E4
Tel.: (514) 286-9441
Fax: (514) 287-1579

Directors as at December 31, 1999

Yvon Bergeron
Grand-Mère, Quebec

Yves Bernatchez
Rivière-au-Renard, Quebec

Réjean Brunelle
Granby, Quebec

Gilles Clément
Coteau-du-Lac, Quebec

Serge Cloutier
Repentigny, Quebec

Normand Doucet
Saint-Léon-le-Grand, Quebec

Denis Drouin
Fabre, Quebec

Jean-Paul Gagnon
Gallichan, Quebec

André Lachapelle
Chairman of the Board
Saint-Jacques, Quebec

Jean Landry
Brossard, Quebec

Claude Lyonnais
Laval, Quebec

Roger Marchand
La Tuque, Quebec

André Paré
Ville de La Baie, Quebec

Alain Raîche
L'Épiphanie, Quebec

Jean-Pierre Roy
Windsor, Quebec

Sylvie St-Pierre Babin
Gatineau, Quebec

Richard Sarrazin
Quebec City, Quebec

Benoît Simard
Beauport, Quebec

Serge Simard
Baie-Comeau, Quebec

Director having stepped down in 1999

Pierre Landry

Desjardins Securities

2 Complexe Desjardins
P.O. Box 394, Desjardins Station
Montreal, Quebec
H5B 1J2
Tel.: (514) 987-1749
Fax: (514) 842-3137

Directors as at December 31, 1999

Francine Allaire
Nuns' Island, Quebec

Guy Bélisle
Mont-Laurier, Quebec

André Cantin
Joliette, Quebec

Pierre Charbonneau
Saint-Lambert, Quebec

Pierre Gauthier
Sherbrooke, Quebec

Marc Jobin
Saint-Nicolas, Quebec

Robert O'Farrell
Chairman of the Board
Trois-Rivières, Quebec

Patrice Ruest
Saint-Jean-Chrysostome, Quebec

François Tremblay
Boucherville, Quebec

Louis Wermenlinger
Saint-Bruno, Quebec

Directors having stepped down in 1999

Fernand Carignan
Nicole Gadbois-Lavigne
Daniel Mercier
Céline Perron
André Shatskoff

Senior management

Desjardins-Laurentian Life Assurance

François Joly
President and Chief Operating Officer

Louis Chassé
Senior Vice-President,
Human Resources and Organizational Development

Camille Fortier
Senior Executive Vice-President,
Desjardins Network

Richard Fortier
Senior Vice-President, Actuarial and
Corporate Services and Business Monitoring

Jacques V. Goyer
Senior Vice-President, Investments

José Joyal
Senior Vice-President, Technology

Gilles Juneau
Senior Vice-President,
Customer Service

Robert St-Denis
Senior Executive Vice-President,
Individual and Business Markets

Alain Thauvette
Senior Vice-President, Finance

The Imperial Life Assurance Company of Canada

Marcel Pepin
President and Chief Executive Officer

Ronald G. C. Dahms
Executive Vice-President, Group Network

Richard Fortier
Senior Vice-President, Actuarial and
Corporate Services and Business Monitoring

Jacques V. Goyer
Senior Vice-President, Investments

Robert W. Haig
Corporate Secretary and General Counsel

José Joyal
Senior Vice-President, Technology

Gilles Juneau
Senior Vice-President, Customer Service

Camil Lévesque
Vice-President and Actuary

Robert St-Denis
Senior Executive Vice-President,
Individual and Business Markets

Jack Tavares
Vice-President, Sales Distribution Centre
Network, Rest of Canada and Laurier

Alain Thauvette
Senior Vice-President and
Chief Financial Officer

Société de portefeuille du Groupe Desjardins, assurances générales

Jude Martineau
President and Chief Executive Officer

Jean-François Boulet
Senior Vice-President, Human Resources
and Communications

Louis Chantal
Senior Vice-President, Administration

Michèle Gagné
Senior Vice-President, Information
Technology

Hélène Lamontagne
Senior Vice-President,
Corporate Affairs and Secretary

Pierre Michaud
Senior Vice-President, Claims

Sylvie Paquette
Senior Vice-President, Insurance

Jean Vaillancourt
Senior Vice-President, Distribution

Management Committee members of Desjardins-Laurentian Financial Corporation

François Joly
President and Chief Operating Officer
Desjardins-Laurentian Life Assurance

Francine Allaire
President and Chief Operating Officer
Desjardins Securities

Michel Thérien
President and Chief Executive Officer
Desjardins-Laurentian Financial Corporation

Norman A. Turnbull
Senior Vice-President, Finance and
Administration
Desjardins-Laurentian Financial Corporation

Marcel Pepin
Senior Vice-President, Planning and
Development
Desjardins-Laurentian Financial Corporation

Desjardins Specialized Financial Services Management

Jean Landry
President and Chief Operating Officer

Raymond Beauchamp
Senior Vice-President, Corporate Services

François Gagnon
Senior Vice-President, Finance

Renald Letarte
Senior Vice-President, Consumer Sales

Normand Paquin
Senior Vice-President, Marketing and Business Development

Serge Paré
Senior Vice-President, Technologies and Products Administration

Guy Vallée
General Secretary

Desjardins Securities

Francine Allaire
President and Chief Operating Officer

Gilles Brisebois
Vice-President, Desjardins Network

Jean-Luc Brunet
Vice-President, Compliance

Pierre Charbonneau
Senior Vice-President, Finance, Operations and Systems

Éric Désormeaux
Vice-President, Corporate Finance

Marc Jobin
Vice-President, Sales, Full-Service Brokerage

Gaétan Lamontagne
Vice-President, Systems

Doris Lapierre
Vice-President, Discount Brokerage

Yves Proteau
Senior Vice-President, Development

Ginette Turenne
Senior Manager, Operations

Louis Wermenlinger
Vice-President, Research and Institutional Equities

Canagex

Richard Neault
President and Chief Operating Officer

Normand Corbeil
Vice-President, Canadian Equities

Deborah K. Frame
Vice-President, Canadian Equities

Michel Lemieux
Vice-President, Fixed Income

Danielle G. Morin
Vice-President, Finance and Operations

Jeff Poulin
Vice-President, Business Development

Opvest

Michel Thérien
President

Robert Dubé
Senior Management Advisor, Investments

Jacques V. Goyer
Senior Vice-President, Investments

Gérard Guilbault
Vice-President, Treasury and Securities Investments

Denise Mérineau
Vice-President, Mortgage Investments

Harry J. Plafter
Vice-President, Real Estate Investments and Business Financing

Gilles Rhéaume
Vice-President, Credit

Guy Vallée
Vice-President, Special Accounts

Jude Martineau
President and Chief Executive Officer
Société de portefeuille du Groupe Desjardins, assurances générales

Jacques V. Goyer
Senior Vice-President, Investments
Desjardins-Laurentian Financial Corporation

Richard Neault
President and Chief Operating Officer
Canagex

Jean Landry
President and Chief Operating Officer
Desjardins Specialized Financial Services Management

Pierre Rousseau
Senior Vice-President, Corporate Affairs and General Secretary
Desjardins-Laurentian Financial Corporation

Shareholder information

Annual meeting
May 17, 2000, 10:30 a.m.
Le Windsor
1170 Peel Street
Montreal, Quebec

Inquiries from shareholders
Any inquiries other than those concerning a change of address or change in the registration of shares may be directed to the Corporate Secretary's Office, at the Head Office of the Corporation.

Stock exchange listing
The Class A Subordinate shares and the Class A Preferred shares are listed on the Toronto Stock Exchange. In light of the restructuring of the Canadian stock exchanges, the aforementioned shares have not been listed on The Montreal Stock Exchange since December 3, 1999.

Ticker symbol
The ticker symbols for the Class A Subordinate shares and the Class A Preferred shares are DJN.A and DJN.PR.A.

Dividend payment date
Quarterly dividends on the Class A Preferred shares, on the Class A Subordinate shares and on the Class B shares are paid on the last day of March, June, September and December, subject to the approval of the Board of Directors.

Share redemption program
DLFC made a Normal Course Issuer Bid for the redemption of its Class A Subordinate shares. The program will be in effect until November 25, 2000. Should you require more information in this regard, please refer to Section 17 of the Management Proxy Circular distributed for the Annual Meeting, which will be held on May 17, 2000. A copy of the Circular may be obtained from the Corporate Secretary's Office of the Corporation.

Transfer agent and registrar
Desjardins Trust
Corporate Services
1 Complexe Desjardins
P.O. Box 34, Desjardins Station
Montreal, Quebec
H5B 1E4
Telephone: (514) 286-3103
Fax: (514) 844-3545

or

Montreal Trust Company
Stock Transfer Department
151 Front Street West
8th Floor
Toronto, Ontario
M5J 2N1
Telephone: (416) 981-9500
Fax: (416) 981-9507

Head office
1 Complexe Desjardins
P.O. Box 10500, Desjardins Station
Montreal, Quebec, Canada
H5B 1J1
Telephone: (514) 281-7063
Fax: (514) 281-7110
e-mail: info@sfdl.com

Published information
Information published by the Corporation for its shareholders and others, including the Annual Report and the Quarterly Reports, may be obtained by writing to the Corporation's Head Office at the above address.

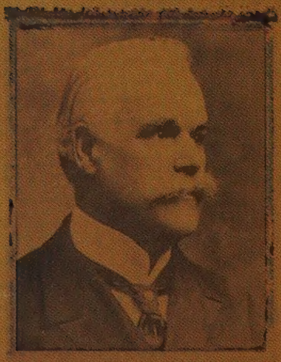
Most of the published information can also be found at the Corporation's web site (www.dlfc.com).

Version française
Si vous désirez recevoir un exemplaire de la version française de ce rapport, veuillez adresser votre demande à :

Société financière Desjardins-Laurentienne
1, Complexe Desjardins
C.P. 10500, succursale Desjardins
Montréal (Québec)
H5B 1J1
Téléphone : (514) 281-7063
Télécopieur : (514) 281-7110

Photos (pages 4, 72 and 73): Pierre Manning
Cover design: Vasco design international
Graphic design: PELICAN Public Relations
Printing: Litho Acme

This Annual Report is printed on recycled paper.

One Hundred Years
A movement for today and everyday